

BUDGET AND TREASURY OFFICE

Overview

The role of the Chief Financial Officer is outlined in section 81 of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) and includes budgeting, accounting, analysis, financial reporting, financial management and supply chain management.

Description of the activity

The following main functions have been identified:

- Revenue management
- Expenditure management
- Asset management
- Liability management
- Supply chain management
- Budgeting
- Financial reporting

The strategic objectives of the office of the finance department are to –

- To ensure full compliance with MFMA and GRAP with regard to financial management and reporting
- To expand and improve the revenue base of the municipality through the development and implementation of a revenue enhancement strategy
- To implement an effective, efficient and economical system of supply chain management (SCM) system that is 100% compliant with MFMA and Treasury regulations

Key achievements during the year under review

- In order to ensure that the municipality manages its revenue effectively, the following financial policies were developed specifically to suit local circumstances:
 - Debt collection and credit control policy
 - Indigent support policy
 - Rates policy
- The municipality managed to uphold an efficient meter reading service and corrected a significant number of service accounts that were faulty due to water leakages and pipe breaks.
- The supply chain management policy was reviewed to ensure compliance with the Municipal Finance Management Act (‘the MFMA’) and the latest Treasury Regulations.

The key issues and challenges for 2010/11 were:

- The outstanding consumer debtors remained high during the year under review. The uncollected consumer debt continued to restrain the cash flow capacity of the municipality.
- The unforeseen capital expenditure placed pressure on the cash flows of the municipality and negatively affected efficient creditor management.

AUDITED STATEMENTS AND RELATED FINANCIAL INFORMATION

This chapter includes the following sections:

- **Report of the Chief Financial Officer**
- **Report of the Auditor-General**
- **Action plan to address audit issues**
- **Report of the Audit Committee**
- **Audited Financial Statements**

Report of the Chief Financial Officer

Overview

The year ended 30 June 2011 was in a number of ways challenging for Moqhaka Local Municipality. The global economic crisis and a slow labour market recovery continued to hit the municipality's ability to generate operating cash flows negatively as residents were unable to pay for the services rendered by the municipality. This as a result saw an increase in the debtors' book which is more likely irrecoverable.

1. PERFORMANCE OVERVIEW

The year under review posed significant challenges as the impact of the global economic crisis continued to be felt. Despite the tough conditions the municipality managed to achievement sustainable cash flow management and responded to pressing capital expenditure requirements some of which were unforeseen.

The financial results for the year ended 30 June 2011 paint a picture of stable cash flows particularly in the cash and cash equivalents line item. There has been a notable increase in the year on year revenue and an increase in the operating deficit from the previous year mainly due to higher electricity costs and depreciation expenditure. Revenue collection rate was on average at 85% of the billings.

Notwithstanding the stable results, the municipality remains conscious of the fact that demands for its services continue to outstrip its resources.

The financial activities of the year are reviewed in the sections of this report.

2. OPERATING RESULTS

The overall summarised operating results for the municipality in comparison to the approved budget are shown below. The statement of financial performance reflects a summary of income and expenditure.

	2011		2010	2009 - 2010
	Actual	Budget	Actual	% Growth
Revenue				
Property rates	35 252 452	32 235 710	34 342 953	2.6%
Service charges	202 796 867	237 711 490	177 144 235	14.5%
Grants and subsidies - operating	166 856 882	133 474 470	147 890 999	12.8%
Finance income	5 901 776	5 450 738	4 384 500	34.6%
Other	11 401 857	10 127 410	8 877 756.00	28.4%
	422 209 834	418 999 818	372 640 443	13.3%
Expenditure				
Employee related costs	146 822 469	161 241 232	130 105 878	12.8%
Debt impairment	36 121 404	19 356 948	39 017 013	-7.4%
Depreciation & asset impairment	49 656 737	40 000 000	45 000 356	10.3%
Finance charges	10 368 170	4 842 535	10 041 057	3.3%
Repairs and maintenance	22 487 026	31 045 126	17 892 423	25.7%
Bulk purchases	111 830 655	91 861 322	86 326 205	29.5%
Contracted services	6 188 586	11 497 454	6 481 740	-4.5%
General expenses	47 558 857	60 631 877	45 440 803	4.7%
Total Expenditure	431 033 905	420 476 494	380 305 475	13.3%
Deficit	(8 824 071)	(1 476 676)	(7 665 032)	

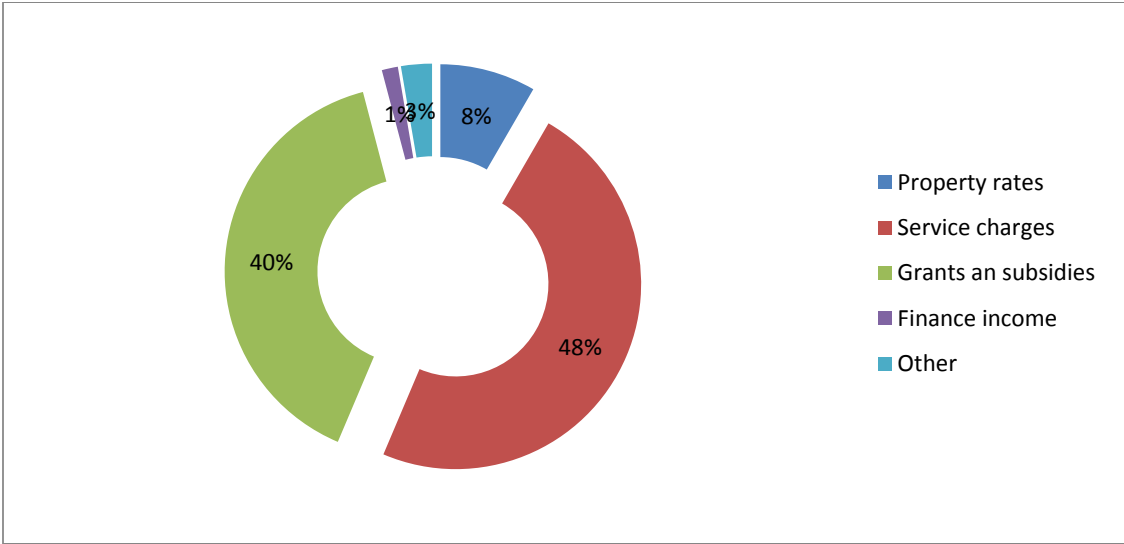
Actual revenue and expenditure has increased by 13% between the respective financial years.

2.1 Operating revenue

The major revenue streams that supported the programmes and activities of the municipality were:

- property rates
- service charges, which are made up of :
 - electricity sales
 - water sales
 - waste water management (sewerage and sanitation), and
 - waste management (refuse removal)
- government grants
- other

The municipality experienced total revenue growth of 13.3% on the amounts realised in the previous financial year, which was approximately the amounts targeted in this year's budget. The following graph indicates the main categories:

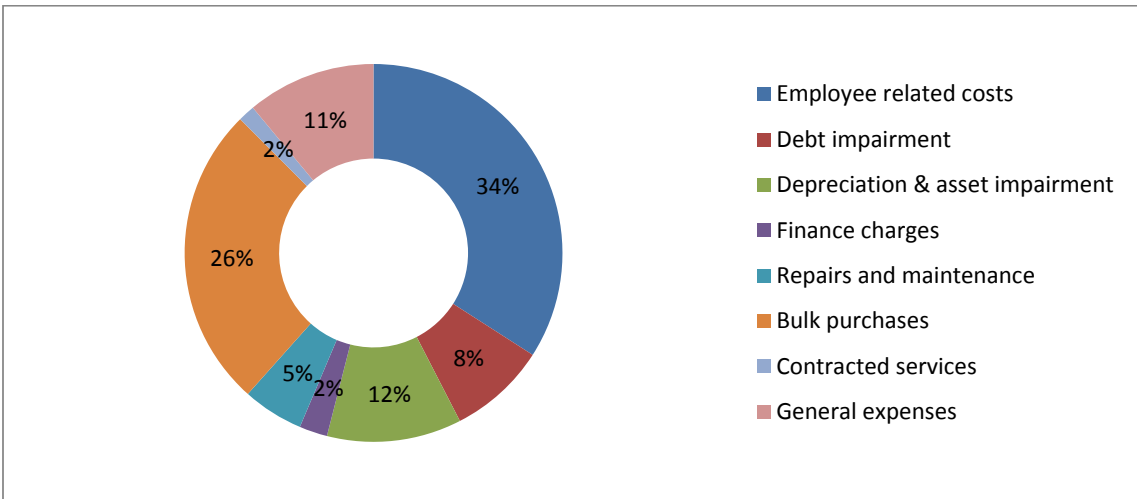


Further detail of service charges is contained in note 24 to the annual financial statements.

2.2 Operating expenditure

The following graph indicates the main categories of expenditure for the year under review. The proactive management control and containment of cost increase remains a key priority to the municipality. The employee related costs were at 34% (2010: 34%) of the total actual expenditure. The increase in bulk purchases was due to abnormal electricity supply tariff increases.

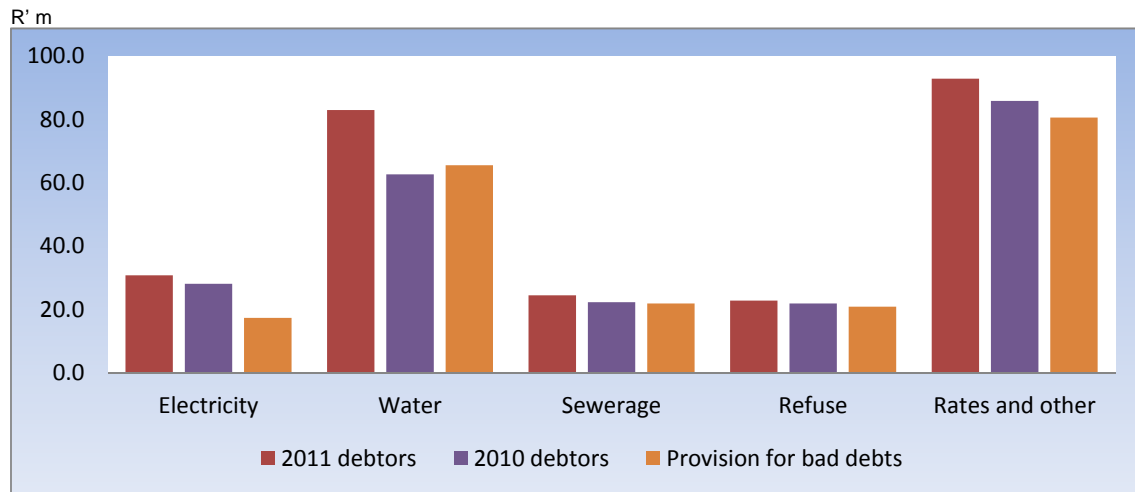
Further detail is contained in notes 29 to 31 to the annual financial statements.



3. CONSUMER DEBTORS

Outstanding consumer debtors at 30 June 2011 were R254 million. The total provision for impairment increased from R166.5 million to R206.4 million. The amounts included in the consumer debtor balances considered to be doubtful are covered by a provision for impairment of R206.4 million, which represents 81.3% of the total outstanding consumer debtors. There was no debt written off during year.

The outstanding consumer debtors as at 30 June 2011 are represented graphically below.



4. BORROWING, INVESTMENTS AND CASH

In the financial year ended 30 June 2011, the municipality repaid interest bearing debt of R7.6 million. This includes finance leases repayments amounting to R7.5 million.

Short term investments as at 30 June 2011 amounted to R317 939 of which R199 884 relates to unlisted shares and R118 055 being fixed deposits held at ABSA.

Cash and cash equivalents decreased by R108 776 to R4.6 million.

Additional information regarding loans, investments and cash and cash equivalents is provided in notes 3, 6, 15 and 16 to the annual financial statements.

5. CASH FLOW ANALYSIS

Cash generated from operations decreased from R 84.2 million to R70.9 million.

Summary of net cash flows

Cash from operating activities

Cash from investing activities

Cash from financing activities

Net decrease in cash and cash equivalents

2011	2010
R'000	R'000
70 885	84 166
(66 647)	(81 814)
(4 347)	11 274
(109)	13 626

Net cash flows from operating activities decreased by 15.8%. Net cash flows utilised in investing activities decreased from R81.8 million to R66.6 million. As a result of repayment of finance lease commitments, cash flows from financing activities decreased to R4.3 million.

6. EXPRESSION OF APPRECIATION

I wish to express my sincere appreciation to the Executive Mayor, the Mayoral Committee, the Chairperson and members of the Finance and Audit Portfolio Committee, the Municipal Manager and the Executive Management team for their support and co-operation received during the year.

A special word of gratitude to all financial staff for their contribution and to the staff of the Auditor General and the auditors appointed by him for conducting the external audit.

Monaheng Mokoena
Chief Financial Officer

Action plan on audit issues raised by the Auditor-General

In terms of section 131(1) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003), a municipality must address issues raised by the Auditor-General in an audit report. The management comments addressing the issues raised in the Report of the Auditor-General on the Financial Statements for the year ended 30 June 2011 are indicated below.

Section	Audit Finding	Recommendation	Action Plan	Target date
Property, Plant & Equipment and Investment Property	Unable to obtain sufficient appropriate audit evidence to confirm the valuation of investment property and infrastructure assets. Unable to confirm the assumptions used by the expert regarding the cost, original purchase date of the property and the remaining useful lives of the property.	That infrastructure assets get revalued	The Institute of Municipal Engineers of South Africa (IMESA) have been tasked by the municipality and the Provincial Treasury to rework the valuations of the infrastructure assets. The software to be used by them will leave the audit trail of the assumptions used in valuation of assets and will provide for annual impairment of assets. Municipal employees will have access to this fixed assets software. The fixed assets register of the municipality has been provided to IMESA to conduct valuations. During October and November 2011 presentations were made to the municipality by IMESA of the work done by them on the assets. Management is happy that the assumptions and methodology used by IMESA will assist in meeting the requirements of GRAP 17. All the workings will by IMESA will remain the property of the municipality and will be kept safely in support of the audit.	30 June 2012
	Unique identification was not allocated to asset components in the asset register and the required title deeds that could either not be obtained or title deeds not confirming ownership. Land and buildings registered in the name of the municipality could not be traced to the fixed asset register and the asset register did not contain adequate descriptions, unique identification and locations to physically confirm the completeness of property, plant and equipment	Controls be established by the municipality over the working papers of service providers.		30 June 2012
	The audit of the existence and rights and obligations of investment property was performed. The title deed search was unsuccessful for the selected property. The property may not have been registered in the municipality's name by the municipal officials.	Management should adequately monitor controls to ensure that the fixed asset register is in the format as required by the fixed asset management policy and the requirements of generally recognised accounting practice (GRAP). a) revalue the entire population for property that is not in the name of the municipality; and b) remove assets from the assets register that are not registered in the municipality's name.		

Section	Audit Finding	Recommendation	Action Plan	Target date
Property, Plant & Equipment and Investment Property (Remaining useful lives and residual values)	Sufficient evidence could not be obtained to confirm that management implemented steps to review the appropriateness of the remaining useful lives and residual values of assets and that adjustments were made to the remaining useful lives where appropriate during the year under review	Management should investigate the matter and implement controls to ensure that the municipality complies with the relevant accounting standards. The residual values and useful lives of assets should be evaluated annually.	The implementation of the IMESA software will address the useful lives evaluation of assets. Records will be kept as proof of the review of useful lives of assets signed by the relevant head of department.	30 June 2012
Property, Plant & Equipment and Investment Property (Impairment not considered)	No sufficient audit evidence could be obtained to confirm that management implemented steps to identify assets with carrying values greater than the estimated recoverable amount that should be impaired. Furthermore management could not submit a list of all assets which are no longer in working order, which results in impaired assets being overstated in the financial statements.	Management should ensure that they implement the necessary steps to annually identify assets with carrying values greater than the estimated recoverable amounts which will result in impairment losses which should be recognised.	The annual impairment test of assets will be implemented with the IMESA software. The model within the software allows for the inputs to be made of certain variables for a specific asset. The model will thereafter suggest a recoverable amount of the asset which will be compared to the carrying value to determine whether the asset should be impaired or not.	30 June 2012

Section	Audit Finding	Recommendation	Action Plan	Target date
Existence of debtors could not be verified	Supporting documents to validate the existence of the following debtors could not be submitted for audit purposes.	Management should ensure that supporting documentation to confirm the existence of consumer debtors is adequately filed.	The municipality will employ temporary employees to assist in debtors verification and the state of indigents monthly. Dinatla advisory services will also be requested to provide additional staff to assist with the verification of debtors and indigents.	Monthly to 30 June 2012
Expenditure Depreciation	- The occurrence, completeness and accuracy of depreciation disclosed in the financial statements could not be confirmed due to limitations regarding the valuation of property, plant and equipment.	Controls be established by the municipality over the working papers of service providers.	With the implementation of the IMESA software, the municipality will have verifiable depreciation expense.	30 June 2012
Other expenditure transactions – documentation not submitted	Supporting documentation could not be provided by the municipality for certain GRN's requested from management.	Management should implement controls to ensure that appropriate records are kept of all transactions.	There are suppliers that are paid using quotations due to the set-up of their systems and some due to their perceived lack of timely payment by the municipality. At the end of the year some of these payments did not have supporting invoices. The expenditure section has identified an official that will monitor departments to submit invoices for complete filing at finance department.	30 June 2012

Section	Audit Finding	Recommendation	Action Plan	Target date
Revenue – rental income	A sample of rental contracts were selected from the rental contract and the agreements requested for audit purposes. The agreements could however not be submitted for audit purposes.	Management should ensure that all appropriate documentation is filed adequately		
Unmetered accounts charged at flat rate	Inspection of vote number 1540202051030 revealed a total number of 6 790 residents without water meters. The said residents pay a flat-rate on a monthly basis, equal to the charge for 6kl of water as the usage cannot be determined in the absence of water meters	The impact on the loss of income to the municipality should be assessed and corrective measures should be put into place.	Water meters will be acquired and be installed to the affected residents.	To be incorporated in the 2012/13 budget. Therefore implementation of the metering will be in the 2012/13 financial year.
Disclosure of irregular expenditure in the financial statements	The disclosure of the irregular expenditure in the annual financial statements note 48 is understated with at least R13.8m. Due to limitation placed on the auditors by the audit of expenditure; the auditor was unable to confirm the completeness of the disclosure made in note 48.	Management should adequately monitor internal controls to ensure proper compliance to procurement processes.	The municipality will compile a monthly report of all approved deviations by the accounting officer including those that concern quotations. These will all form part of the disclosure in the notes to financial statements.	Monthly

Section	Audit Finding	Recommendation	Action Plan	Target date
Emphasis of matter issues				
Material losses/ Impairments	<p>As disclosed in note 47 to the financial statements, material losses to the amount of R43 537 967 (30 June 2010: R31 282 250) were incurred as a result of losses on water and electricity distribution.</p> <p>A significant provision for impairment of receivables was created which constitutes 81% (R208 592 353/R256 259 76 0) of the total trade receivable balance (Note 4 to the financial statements).</p>		<p>At the beginning of the 2011/12 financial year the Fezile Dabi District Municipality and the DBSA assisted the municipality with the infrastructure assessment exercise. A report of the findings on the state of the infrastructure has been given to the municipality with the estimated costs of repairing the identified problems. The estimated costs will form part of the budget of the coming years.</p> <p>The data purification project afforded by the district municipality (Fezile Dabi) to Mqohaka will assist in identifying affording, non-affording customers and enforce collection or write offs. When this exercise is complete, a provision for bad debts will be reduced to reasonable levels.</p>	<p>This will be incorporated in the budget of the 2012/13 financial year.</p> <p>Continuous up to 30 June 2012</p>

FREE BASIC SERVICES

	2008/09	2009/10	2010/11
Free water:			
- residents	19 962	17 859	
- indigent residents	8 511	11 572	12719
Basic water - all residents	28 473	29 431	
Free Electricity:			
- all resident	8 511	11 572	12719
- non Municipal supply	-	2 248	
Basic Electricity	8 511	11 572	
Sewerage Basic	8 511	11 572	12719
Free Refuse removal - indigents	8 511	11 572	12719
Indigent subsidy (property rates)	-	-	-
Income level for registration of indigents	R 1500.00	R 1500.00	R1500.00
Number of registered indigents	8 511	11 572	12719

BUDGET AND TREASURY OFFICE

Performance Indicator	Unit of measurement	09/10 actual	10/11 target	10/11 actual	Explanation of actual performance and corrective measures
Creditors paid within the legislatively required period	Percentage of creditors paid within 30 days	80%	100%	70%	<p>On a monthly basis, the municipality could not pay 100% of invoices within 30 days. This is due to a number of creditors backlog that was cumulative and needed to be addressed first. Emergency capital expenditure also consumed surplus cash flows that could have been directed to trade creditors.</p> <p>Corrective measure: Revenue enhancement strategy is being</p>

Performance Indicator	Unit of measurement	09/10 actual	10/11 target	10/11 actual	Explanation of actual performance and corrective measures
					implemented in order to ensure that there is sufficient cash flows to meet the creditors due.
Annual Financial Statements compiled and submitted	Percentage progress with implementation of GRAP/GAMAP	50%	70%	90%	<p>The sections that did not comply with GRAP were the fixed assets register (GRAP 17) and the employee benefits (GRAP 25) and IAS39 on the measurement of financial instruments.</p> <p>Corrective action: Additional columns are being inserted in the fixed assets register to comply with GRAP 17. Employee benefits will be measured in accordance with GRAP 25 requirements and the necessary accounting policy will be drafted for this. Financial instruments or debtors balances that need to be discounted will be investigated and measured in accordance with IAS39 requirements.</p>
Revenue collection rate	Percentage debtors revenue collected (collection vs levied)	70%	90%	85%	<p>Revenue collection rate of 85% is mainly on the current billings. There is no reduction in the outstanding debtors.</p> <p>Credit collection is not enforced effectively due to</p>

Performance Indicator	Unit of measurement	09/10 actual	10/11 target	10/11 actual	Explanation of actual performance and corrective measures
					shortage of staff in the revenue section. The municipality is being assisted by Dinatla Advisory Services on the collection of debt.
By-Laws reviewed and implemented	Percentage of By-Laws reviewed and implemented	-	100%	0%	No By-Laws were reviewed during the financial year
Annual Financial Statements (AFS) submitted on time	2010/11 AFS submitted to Auditor-General by 31 August 2009	80%	100%	100%	AFS submitted timely to the Auditor-General
Timely and accurate financial reports compiled and submitted	Monthly and quarterly reports compiled and submitted in terms of MFMA and DORA	80%	100%	90%	<p>Financial reports are submitted on time to senior management, Council and National & Provincial Treasuries. A few delays that occurred were due to technical problems that resulted in submission being made a day or two later.</p> <p>Caseware system is being implemented and it will assist in automatically generating the reports. The service provider – Business Connexion – will provide training to other employees and to reduce reliance on one employee. The training plans are discussed in January 2012.</p>
Percentage budget completed	2011/12 MTREF completed in terms of MFMA and GRAP requirements by end of May 2011	90%	100%	100%	MTREF was approved by Council

Performance Indicator	Unit of measurement	09/10 actual	10/11 target	10/11 actual	Explanation of actual performance and corrective measures
Completed action plan to address issues raised in Auditor-General reports	Percentage of 2009/10 audit action plan addressed by 31 August 2011	80%	80%	75%	<p>A disclaimer of audit opinion was mainly due to lack of supporting documents on the valuation of infrastructure assets and lack of proof of ownership by the municipality of some of its assets. The valuation roll did not agree to the fixed assets register.</p> <p>Provision for doubtful debt was calculated correctly and the power station was brought onto the fixed assets register.</p> <p>Corrective action is to have the new values of the infrastructure assets reworked and the audit trail thereof be kept for audit purposes. The service provider (Dinatla Advisory) to continue assisting with debtors verification and write off as existence of debtors was one of the main causes of the disclaimer of audit opinion.</p>
Improved 2009/10 audit outcomes	Percentage reduction of material issues which resulted in a disclaimer opinion	50%	50%	30%	<p>Provision for doubtful debt was calculated correctly and the power station was brought onto the fixed assets register.</p>

Performance Indicator	Unit of measurement	09/10 actual	10/11 target	10/11 actual	Explanation of actual performance and corrective measures
					Fixed assets count was performed during the year.

CORPORATE SERVICES

Description of the activity

The following main functions have been identified:

- Human resource management
- Legal and Administrative support services
- Housing
- Information Communication and Technology
- Local economic development

The strategic objectives of the office of Corporate Services are to –

- To ensure a working environment that enables good staff morale, high performance, sound employment and customer relations and sustainable service delivery
- To provide sustainable human settlements and improved quality of household life through accelerated delivery of housing opportunities and access to basic services
- To facilitate decent employment through inclusive economic growth by stimulating the growth of SMMEs to contribute towards the reduction of unemployment and poverty in the region.
- To provide information and communication technology for enhanced systems applications in the Municipality.

Key achievements during the year under review

Administration

Installation of a new sound/recording system in the Council Chamber, which in the process enhanced Council's ability to keep record of its meetings.

Section 80 Committees

Councillors serving on Section 80 Committees are from political parties represented in the Council. Each Section 80 Committee is chaired by a Member of the Mayoral Committee (MMC). Below is a list of Portfolio Committees for the year under review.

Portfolio Committee	MMC	Number of meetings held	Responsibility
Finance and Audit	Councillor ER Moletsane	5	Budget planning and finance, investment, internal audit related matters et cetera.
IDP and LED	Councillor ML Pietersen	1	IDP, LED, town planning, tourism, street trading, liquor control, markets, abattoirs et cetera.
Public Safety	Councillor DA Matshedisho	1	Traffic, safety, policing, disaster management, et cetera.
Infrastructure and Technical Services	Councillor P Thipane	3	Roads, transport, water provision, waste and refuse removal, electricity provision, generation and distribution.
Sports, Arts and Culture	Councillor ACWD Nakedi	3	Sport facilities, arts and culture and libraries.
Personnel and Administration	Councillor SJ Matli	3	All human resource and administration related matters.
Housing and Community Development	Councillor S Mokoena	2	Housing, social development, cemeteries and child care.

Legal

Successful appeal was lodged against a Magistrate's judgement in a case(a so called test case) where property rates were withheld and Council cut the Electricity supply. Some members of the community and an organisation known as the Resident's Association resorted to not paying rates. The High Court decision is however appealed against by the said Association. We are conflicted that the Supreme Court of Appeal will find in favour of the Council. This will be a landmark case in Local Government and the outcome is eagerly awaited.

The drafting of agreements,scrutinising of documents , advising of Departments, and attending to cases lodged against Council are done on an ongoing basis. The high increase in cases against Council ,mainly in respect of potholes, are dealt with on an ongoing process.

Human Resources

The development and adoption of HR policy document, is a major achievement considering the previous approach of handling HR matters in an inconsistent manner. The element of interpretation and proper application remain a challenge despite clear guidelines.

Housing & Properties

Apart from the normal day to day activities / functions of this section, the following additional activities were attended to in the period mentioned above:

1. BENEFICIARY MANAGEMENT

A living waiting list on both soft and hard copy is available for all the three towns. There are currently 14 800 beneficiaries on the waiting list and that the number increases on a daily basis as the beneficiaries come to register themselves. The waiting list is categorized according to the following groups:

- Elderly
Disabled
- Child headed households
- Indigent
- Income bands

2. BREAKING NEW GROUND (BNG)

The revised lay-out plan/Surveyor-General (SG plan) for Marabastad has been re-designed to cater for the BNG principles in terms of provision of the public amenities such as parks, schools, health facilities, businesses and proximity to the job opportunities as well as access to transport facilities.

3. RECTIFICATION PROGRAMME

Poor Workmanship

A list of the affected BNG houses was compiled and submitted to the Provincial Department of Human Settlements for its attention and disposal.

4. HOSTEL AND BACKYARD DWELLERS

KROONSTAD / BRENTPARK

The former Seeisoville hostel has been converted into family units with funds from the Free State Provincial Government under the now defunct Hostel Upgrading Programme.

The units consist of five roomed houses occupied by one household per house. Each unit has its own erf number. There are a total of 51 units accommodating 51 households.

The Brentpark hostel was also renovated with funds from the Free State Provincial Government but was never converted into family units. The hostel comprises of 24 two roomed units. The hostel could not be converted into family units due to its structural location.

In November 2006, Council approved the new structure for the compilation of the waiting list which accommodated all categories of people in need of housing. The list included the backyard dwellers as well.

▪ **RAMMULOTSI**

There are five informal settlements in and around Rammulotsi. This is due to a migration of people from the rural areas into the township. This can be attributed to farm evictions or voluntary migrations. A housing demand list of the inhabitants of this area is available and will be prioritised during the next housing allocation.

▪ **MATLWANGTLWANG**

There are three informal settlements in Matlwangtlwang which are largely situated on the periphery of the township. The reasons for the mushrooming of the informal settlements are the same as in Rammulotsi. A housing demand list is available.

5. PROJECTS

5.1 OPERATION HLAELA AND THE BUILDING OF 200 NEW HOUSES IN MARABASTAD

Moghaka Local Municipality in particular Marabastad has been included in the premier's Operation Hlasela Intervention Program for the Free State, thus ensuring that development of the area enjoys a higher provincial status and that an intervention program is established to fast track development and service delivery in the area. In Kroonstad and specific in Marabastad, funds were made available for the construction of 200 housing units with a floor area of 50m². The houses are in an advanced stage of completion and the attorneys' firm Podbielski and Mhlambi Inc. has been appointed to attend to the registration of ownership (Conveyancing).

The structural construction of these houses is different from the traditional RDP houses. The refurbishment on these houses includes, *inter alia*, the following:

- Three bedrooms instead of two bedrooms;
- Tiled roof;
- Carpets in the living room and bedrooms;
- Geysers;
- Electricity connections

5.2 CONSTRUCTION OF 200 RDP HOUSES

The MEC allocated 200 housing subsidies to Moqhaka Municipality. Messrs Lesodi Construction and Mminathoko Trading were contracted to construct 100 houses each in Maokeng and Rammulotsi.

5.3 CONSTRUCTION OF 356 NEW HOUSES AND DEMOLITION AND REBUILDING OF DILAPIDATED HOUSES: 617 IN TOTAL

The Premier introduced Operation Thlasela to expedite service delivery and as part of this programme identified houses in a state of disrepair to be demolished and rebuild. In addition newly built houses are also envisaged. Details of the entire project are:

- | | |
|--|-------|
| - New houses in Kgahliso Moeketsi Section | x 393 |
| - Dilapidated houses to be rebuild | x 50 |
| - New houses in Matlwangtlwang | x 8 |
| - New houses in Jaskraal | x 8 |
| - New houses to replace old asbestos roof houses in Rammulotsi | x 100 |
| - New houses to replace old asbestos roof houses in Brentpark | x 58 |

5.4 CONSTRUCTION OF CHINESE SHOW HOUSES

The Premier appointed Chinese Contractors to construct 10 x show houses in Marabastad and 21 x show houses in Marabastad, Northleigh and Rammulotsi.

5.5 CONSTRUCTION OF HOUSES FOR MILITARY VETERANS

The MEC approved a project for the construction of approximately 8 x houses for Military veterans in Maokeng.

5.6 AFFORDABLE HOUSING BY ABSA

The municipality has entered into negotiations with ABSA to assist with affordable housing in our area. Two portions of land in Maokeng and Rammulotsi have been identified for this purpose. During a recent meeting with representatives of DevCo (Development leg of ABSA) procurement issues amongst others were discussed; and it was resolved that since there is an existing Memorandum of Understanding (MOU) between Free State Local Government and Housing and ABSA, they be requested to consider the appointment of ABSA as developers for the two identified areas within Moqhaka Local Municipality. This partnership is aimed at promoting affordable housing within the R7500 – R10 500 income earners who do not qualify for government subsidies.

5.7 CONVERSION OF CERTAIN RIGHTS INTO LEASEHOLD OR OWNERSHIP (ACT 81 OF 1988)

It is an ongoing exercise where stand owners were assisted to get their title deeds for the houses they have occupied for so long. Officials from the Department of Local Government and Housing assisted the housing section from time to time to continue with this process.

5.8 ENHANCED EXTENDED DISCOUNT BENEFIT SCHEME (EEDBS)

This housing programme is ongoing. The Provincial Department of Human Settlements is assisting the municipality to fill in the application forms. The beneficiaries will ultimately receive discount on the purchase prices and ownership of the properties will be transferred into their names.

An additional thirteen (13) properties in the former Kroonstad Municipality area have been identified which are in the process of being transferred to the beneficiaries (tenants).

5.9 MARABASTAD LAND RESTITUTION CLAIMS

Marabastad land claims were lodged by the dispossessed persons from the area of their direct descendants, as individuals. A total of 404 individual claims for the properties were lodged with the Regional Land Claims Commission in terms of the Restitution of Land Rights Act, Act no. 22 of 1994 as amended.

From the 404 claimants, the majority opted for financial compensation and were compensated accordingly. The remainder of the claimants being 167 in total opted for restitution.

It is expected from beneficiaries to fill in forms and to provide certified copies of personal documentation such as identity documents, marriage certificates, birth certificates and proof of income. Notices were placed in the media as the whereabouts of some of the claimants are not known.

Vacant residential erven in the former A-location area have been allocated to restitution claimants for construction of their housing units. The Human Settlements Department in Bloemfontein appointed a building contractor for the construction of the houses.

6. PROBLEMS EXPERIENCED WITH PROJECTS

The following general comments in connection with problems experienced are recorded in the minutes of the individual site meetings with developers:

- Material supply problems;
- Labour dispute issues;
- Slow rate of subsidy approvals;
- No work due to non-payment;
- Acceptance / approval of bricks (SABS standards);
- Adequate supervision when casting concrete;
- Delays regarding site pegs and foundations;
- Approval for using steel trusses;
- Slow payment rate of Department of Local Government & Housing;
- Site pegs not clearly determined;
- Houses were built on wrong sites;
- Concerns regarding concrete mixture; and
- Foundation levels and dimensions.

7. CHALLENGES IN HOUSING

7.1 INSTALLATION OF INFRASTRUCTURE SERVICES TO AVAILABLE ERVEN

The installation of infrastructure such as water, sewer, roads and electricity for the following un-serviced residential erven:

- 2278 erven (Greenfield) adjacent to the Boitumelo Hospital in Maokeng;
- 326 erven (Greenfield) in Brentpark;
- 800 erven (Greenfield) in Matlwangtlwang;
- 109 erven (Greenfield) in Viljoenskroon;
- 200 erven (Greenfield) in Elandia, Kroonstad;
- 89 erven (Greenfield) in Tuinhof, Kroonstad;
- 42 erven (former hostel area) in Rammulotsi;
- 1964 erven (Greenfield) in Northleigh (phase 2), Rammulotsi;
- 1509 erven (Greenfield) in Northleigh (phase 3), Rammulotsi.

7.2 VACANCIES

The Housing Department is under staffed and the critical vacancies need to be filled as a matter of urgency.

7.2 OFFICE ACCOMMODATION AND EQUIPMENT

The existing office accommodation needs to be maintained and ageing equipment and furniture have to be replaced.

PROPERTY SECTION

1. PROPERTY MANAGEMENT

A property audit in respect of all Council's properties, including vacant erven was conducted and a Municipal Property Register is kept and regularly attended to.

2. ACQUISITION OF LAND FOR TOWNSHIP DEVELOPMENT

The Directorate Informal Settlement and Land Tenure of the Free State Province requested municipalities to provide information as to the extent of land to be acquired for Township development. A number of farm properties have been identified and purchased for this purpose. Details of the acquired properties are as follows:

- Thelana No 2324, Kroonstad, 10,1671 ha in extent;
- Vogelvlei No 457, Steynsrus, 115,9997 ha in extent;
- Seubring No 153, Viljoenskroon, 214,1330 ha in extent;
- La Belle No 375, Viljoenskroon, 214,1330 ha in extent.

3. TOWNSHIP ESTABLISHMENT: PLANNING AND SURVEYING OF ERVEN

Planning and surveying of the following areas are in the process with funds granted by the Free State Province:

- 800 new erven on the remainder of the farm Vogelvllei no. 457, Steynsrus;
- 2846 new erven in Maokeng on land previously utilized as small holdings are in the process of planning;
- 326 new erven next to Brentpark;
- 2278 new erven in Maokeng on land adjacent to Boitumelo Hospital;
- 1964 erven in Rammulotsi (Northleigh phase 2) are planned, surveyed and township register approved;
- 1509 new erven in Rammulotsi (Northleigh phase 3) are in the process of planning.

4. VALUATION ROLL:

4.1. GENERAL VALUATION: 2012/2016

DDP Valuers were appointed to conduct the general valuations and prepare and conduct valuations for the 4 year period 2012/2016.

In terms of the agreement, it is expected from DDP Valuers to compile and submit the 2012/16 draft Valuation Roll to the municipality at the end of December 2011.

Thereafter notices will be placed in the media as well as the Provincial Gazette that the valuation roll is available and open for inspection.

4.2. INTERIM VALUATIONS

Apart from the general valuations referred to in 4.1 above, it is expected from local municipalities to conduct supplementary (interim) valuations. In terms of the conditions of Council's agreement (tender) with Landdata Valuations, they will also attend to supplementary valuations until June 2012.

Another supplementary Valuation Roll for the period July 2010 to June 2011 is in the process of completion.

5. TRANSFERS

5.1 TRANSFERS: CLINICS AND SCHOOLS

The Department of Public Works has requested Council's permission to transfer ownership of certain clinics and schools in its jurisdiction area from Council to the Central Government. Property details have been forwarded to the relevant department.

6. CHALLENGES FACED IN THE PROPERTY SECTION:

- 6.1 The already mentioned critical vacancies experienced makes achieving of performance goals and satisfying all areas of the service delivery and administrative deadlines a very difficult task.

- 6.2 The insufficient budget approved by the Finance department and cash flow limitations faced by the Municipality hampers the completion of budgeted purchases and repair projects;

AREAS OF IMPROVEMENT:

- Better co-operation from the Finance department with regard to arrear rental accounts of Municipal properties leased;
- Filling on an urgent basis the critical vacancies on the administration side of the Property section;
- Updating of the Property Register;

GENERAL CONDITION OF THE PROPERTY SECTION:

The property section is managed in a positive and honest manner and regardless of the critical vacancies experienced, outstanding work is completed.

The Property section is generally in a good state. Good service delivery remains the main aim of this section.

Training & Development

Learnership:

- Municipal Finance Administration Learnership was successfully completed and all 12 learners enrolled on the learnership were declared competent.

Structured Learning (ABET & Learnership):

- Six female employees from the municipality were given awards by LGSETA for recognition of woman learning in the workplace.
- The Municipality received funding from LGSETA and Fezile Dabi for implementation of ABET special programme for 101 people.

The programme covers the following areas:

- Communication and Numeracy in Braille. (Level 1-4)
- Communication in sign language (Level 1 – 4)
- Standard Abet.

Occupational Health and Safety and Employee Wellness

- Financial Wellness Workshop for all the three towns.
- A successful Wellness Day in Kroonstad on the 26 October 2011 where the Department of Health was invited to assist with testing the following conditions: HIV/AIDS, Eye Testing, Hearing, Diabetes, Hypertension, Cholesterol, Tuberculosis.

- All the medical schemes serving the employees were invited such as KeyHealth, Bonitas, LA Health, SAMWU Med and Hosmed.
- At least Budget Department has allocated or created Biological Risk Assessment vote.
- We have managed to find the Occupational Practitioner in this area, Kroonstad who is assisting us with medical exams for our employees.
- OHS and Wellness has managed to conduct workshops or inductions on:-
 - (a) Wellness, HIV/AIDS
 - (b) Health and Safety
- Again Management supported the Unit by approving request of centralization of PPE, as the standard procedures were not followed.

Local Economic Development

Among crucial elements, LED, through its focus on participation, creates incentives and opportunities for partnership between local private and public sector stakeholders as well as social and political groups.

Our continuous partnership with Kroonstad Business and Tourism in the development and promotion of local tourism is one of the good incentives.

On the other hand our Community development approaches do not only focus primarily on addressing social issues, such as poverty and social exclusion, but problems of short-term survival related to them. In this way we have established commonages management committees that are functional.

Our partnership with Shell continues to bear good fruits as 25 SMMEs; mostly youths got training in various topics to ensure that they better understand their role as entrepreneurs.

Our greatest achievement however is the LED strategy that was completed towards the end of 2010. Though that strategy, we shall be able to make some in roads to better implement LED needs of the Municipality.

Information Communication Technology

Applications in use at MLM

Venus Financial System

The municipality is using the financial system called Venus Financial System, which is integrated with Cashdrawer and Payroll Systems, there are approximately 146 users using Venus modules in Moqhaka Local Municipality.

Cashdrawer

The cashdrawer is the application which is used by cashiers at Moqhaka to collect payments for services rendered to the community, the system is installed or accessible from the following

Municipal pay points: Kroonstad Main Office, Maokeng, Brentpark, Viljoenskroon, Ramulutsi, Steynsrus and Matlwangtlwang and all offices are linked to the main site via wireless networks.

Syntell

This is the system used to sell pre-paid electricity to both businesses and households within Moqhaka. Syntell or Prepaid electricity vending system are installed and accessible on the following municipal Pay points: Kroonstad Main Building, Maokeng, Brentpark, Viljoenskroon, Ramulutsi, Steynsrus and Matlwangtlwang.

Currently there are about 20 (households and businesses) registered to sell Municipal electricity to our community and businesses, this registered individuals are using the devices called Ingenicos to sell electricity coupons.

Municipality has recently purchased the Supply Management System as well as the CPI payroll system, the SCM system is currently up and running and CPI is currently running parallel to payroll system

Networks

Municipal Wide Area Network “WAN” covers all 14 Municipal offices, the following table shows WAN connectivity:

	Our Network Before				Our Network Currently			
WAN Connectivity	Moqhaka Local Municipality was using two service providers (SITA and ACT) simultaneously for the connection of Wide Area Network “WAN”. Each service provider was assigned its own sites to connect to MLM network as follows:				Municipality integrated two networks into one Municipal Wide Area Network,			
WAN Cost	SITA – R65000.00 pm (SITA’s Network) ACT – R 4 000.00 pm (ACT’s Network) Municipality was paying a total cost of R69 000.00 per month to both SITA and ACT				Municipality has purchased and erected its own WAN infrastructure, and we are paying Jihir R29 000.00 for WAN maintenance and Support.			
Sites Connectivity	Office	Size	SP	IC	Office	Size	SP	IC
	Main Office	512 kb	SITA	Yes	Main Office	2000 kb	MLM	Yes
	Maokeng	128 kb	SITA	Limited	Maokeng	1000 kb	MLM	Yes
	Stores	128 kb	SITA	None	Stores	512 kb	MLM	Yes
	Brentpark	64 kb	SITA	None	Brentpark	256 kb	MLM	Yes

	Viljoenskroon	256 kb	SITA	None	Viljoenskroon	1000 kb	MLM	Yes
	Steynsrus	128 kb	SITA	None	Steynsrus	1000 kb	MLM	Yes
	Parks	128 kb	ACT	Limited	Parks	512 kb	MLM	Yes
	Fire	128 kb	ACT	Limited	Fire	512 kb	MLM	Yes
	Electricity	128 kb	ACT	Limited	Electricity	256 kb	MLM	Yes
	Water Work	128 kb	ACT	Limited	Water Work	256 kb	MLM	Yes
	Rammulotsi	None	None	None	Rammulotsi	512 kb	MLM	Yes
	Matlwangtlwang	None	None	None	Matlwangtlwang	512 kb	MLM	Yes
	Kroonpark	None	None	None	Kroonpark	512 kb	MLM	Yes
	Call/Crisis Centre	None	None	None	Call/Crisis Centre	512 kb	MLM	Yes
	Civic Theatre	None	None	None	Civic Theatre	256 kb	MLM	Yes

*SP – Service Provider IC – Internet Connectivity

The key issues and challenges for 2010/11 were:

Human Resources

Employee replacement

The number of terminations exceeds entries with close to 100%. This situation contributes to some problems pertaining to leave such as excessive leave days accumulated over a long time (due to not permitting employees to go on leave as a result of operational requirements); acting in positions, and so on.

Leave administration

The manual administration remains a challenge due to shortage of clerks responsible for it, filling of vacant positions will completely sort out this problem and will also assist with the imminent intervention of introducing electronic leave administration.

Administration

- ❑ Introduction of an electronic records management system, in the process enhancing Council's archiving ability.
- ❑ Introduction of an integrated and upgraded telephone communication system, enhancing Council's communication and also reducing the Council's expenditure in respect of telephone communication.
- ❑ Obtaining vehicles to police the adherence of the Town Planning Scheme, Advertising Policy and Business Act.

Legal

The shortage of personnel especially in view of a high increase in the number of claims against Council is reaching a critical level. The achievements of the 2009/2010 year, namely the drafting of Water Services, Electricity and Street Trading By Laws could not be continued with and promulgated, mainly due to the staff shortage. Matters such as policies, by-laws etc are still not attended to as it should be.

Housing

- The challenge is to replace all temporary structures with permanent dwellings.
- To obtain funding for the installation of infrastructure such as water, sewer, roads and electricity for the following un-serviced residential erven:
 - 2278 erven (Greenfield) adjacent to the Boitumelo Hospital in Maokeng,
 - 47 erven adjacent to Motswela School in Maokeng,
 - 20 erven in Phomolong,
 - 16 erven in Seeisoville,

89 erven (Greenfield) next to Reitz Street in Tuinhof, Kroonstad,
73 erven (Greenfield) in extension Heuwelsig, Kroonstad,
109 erven (Greenfield) in Viljoenskroon,
37 erven (former hostel area) in Rammulotsi,
1972 erven (Greenfield) Northleigh & Phase II in Rammulotsi

- To obtain IT infrastructure (hardware and software for the Housing Department)
- To fill critical vacancies at the Housing Department
- To provide and maintain office accommodation

Properties

- The already mentioned critical vacancies experienced makes achieving of performance goals and satisfying all areas of the service delivery and administrative deadlines a very difficult task.
- The insufficient budget approved by the Finance department and cash flow limitations faced by the Municipality hampers the completion of budgeted purchases and repair projects.

Training and Development

- Implementation of WSP due to financial constraints.
- Implementation and monitoring of Employment Equity.
- Utilization of mandatory grants from LGSETA (grant not re-inference).

Occupational Health & Safety and Employee Wellness

- Abuse of alcohol
- High rate of absenteeism
- Lack of budget
- Abuse of sick leave
- Expectations of internal transfers
- High rate of marital problems
- High death rate
- Lack of equipments and working space
- Lack of induction to new employees
- Compliance- some of the sectional Heads and supervisors, still do not comply with the Act and OHS Division have to introduce new strategies on how to conduct Health and Safety at the workplace.
- Accidents- Implement new strategies on how to prevent or reduce more incidents.
- Relationship- Should form a committee which should create relationship between the employees, councilors and the community at large so that service delivery could be more effectively provided.
- Abuse of drugs and Alcohol.
- Poor maintenance of machinery.
- Pre-medical examination- especially on newly appointed employees.

Local Economic Development

- Lack of dedicated budget
- Lack of labor / personnel
- Delay in the establishment of LED Department and the appointment of LED Manager
- Delay in convening an LED summit.
- Data base for SMMEs

Information Communication Technology

Most of these modules were never used. The ICT and HR Section are busy activating modules on Payday to enable the section to fully utilize the system.

The main challenge of the website is to manage its content. The content of the municipal website takes time before it is updated and some information is not updated on the website.

There is a need for various Departments to appoint a person who will provide ICT website with information on development.

COMMUNITY AND EMERGENCY SERVICES

Overview

The responsibility of the Department Community and Emergency Services is vast but interrelated in achieving the developmental mandate of local government. The main impediments are with insufficient funding which affects effective service delivery, which also contributes to the low morale of employees. The proposed structure of the department if approved will facilitate the completion of key transformational aspects of local government.

Managers need to be exposed to management principles to understand their role and to contribute positively to the departmental goals.

Description of the activity

The following main functions have been identified:

1. Sport and recreation
2. Cemeteries
3. Parks and open spaces
4. Community facilities
5. Solid Waste management (Cleansing)
6. Disaster Management
7. Fire Fighting and Call Centre
8. Traffic Law Enforcement
9. Civic Theatre complex (Arts and Culture)
10. Kroonpark Resort (Tourism)
11. Libraries

The strategic objectives of the Department Community and Emergency Services are:

1. To ensure that proper sport, arts and recreational facilities are available to all communities
2. To provide sufficient cemeteries in all areas to ensure adequate burial space
3. To develop and maintain parks and open spaces according to plan
4. To upgrade and manage community facilities and other public facilities to be user friendly and fully equipped
5. To ensure that effective waste management in all areas are in accordance with national standard
6. To utilize disaster management centre according to the Disaster Management Act
7. To reduce incidents on the roads, ensure an effective functioning of road signals and enhance economic efficiency through traffic mobility
8. To support the expansion of the tourism potential of the area that will contribute to continue economic growth

Key achievements during the year under review

Cleansing

A cleaning campaign together with Fezile Dabi District Municipality was a highlight.

Kroonpark Holiday Resort

The resort showed an increase in visitors compared with previous years.

An increase in income.

Three (3) extra water circulation pumps were installed.

Libraries

The annual Library Week in conjunction with Fezile Dabi District Library was a highlight.

Africa Day was also celebrated classically.

Parks, Sport and Recreation

A cleaning campaign was launched from the 6th of October 2010 to the 7th of January 2011 where cemeteries and public open spaces were cleaned.

Arbor Day celebrations took place in September 2010.

Traffic

Traffic Management achieved its traffic fine income with more than 100%.

Moqhaka Traffic Management is one of the few municipalities that are geared to implement AARTO.

All the employees in the Traffic division received AARTO training.

Key issues and challenges for 2010/2011

Civic Theatre Complex

A decrease in the utilization of the complex was experienced due to the deteriorating condition of the building.

Insufficient budget for repairs and maintenance.

Shortage of staff.

Inadequate furniture and equipment

Cleansing (Solid Waste Management)

Serious shortage of personnel

Serious shortage and bad state of vehicles and equipment

Insufficient budget for repairs and maintenance of vehicles and equipment

Eradication of sanitary buckets to be completed.

Insufficient refuse containers in the CBD area

Call Centre (Customer Care)

Shortage of personnel

Lack of budget

Installation and upgrading of telephone and radio communication system

Disaster Management

Shortage of personnel. Since the 1st of September 2011 there is no official in the Disaster office

The role and responsibilities to be clarified between Fezile Dabi District Municipality and local municipalities

The term/definition of disaster to be understood by all stakeholders

Lack of disaster resources e.g. blankets, mattresses, plastic to cover roofs etc.

Fire Brigade Services

Shortage of personnel

Shortage of fleet and equipment

Insufficient budget

Installation and upgrading of fire hydrants in all towns

Lack of relevant training of fire staff

Kroonpark

Equipment, furniture, bedding and linen to be replaced

Complete renovation of the entire resort

Insufficient budget to market the resort

Control measure to be intensified in handling of cash

Low morale of staff causes serious problems

Lack of training in hospitality and tourism

Library and Information Services

Shortage of staff

Insufficient budget

Lack of funds due no budget vote number to celebrate events of to arrange activities

Cemeteries

Lack of funding to provide standard resources at all cemeteries e.g. ablution facilities and office block

Vandalism of fences and tombstones

Lack of a computerized cemetery record system

Shortage of equipment and personnel

Community facilities

Vandalism of halls

Urgent upgrading of all facilities

The fee structure not favouring costs for maintenance

Shortage of needed resources e.g. chairs, tables etc.

Free use of all facilities by councillors and politicians

Lack of a maintenance plan

Parks, open spaces, pavement and trees

Lack of support and funding to develop and implement urban greening plan
No proper complaints handling procedures due to lack of equipment and personnel shortage
No co-operation from relevant departments in the municipality
Lack of water impedes maintenance and development of park and open spaces
Shortage of personnel e.g. the Tree Section only have two (2) general workers and one team leader left out of a staff compliment of twenty
Serious insufficient budget
Demand of use of equipment in rough areas shorten life span of equipment

Sports and Recreation

A serious challenge is the upgrading of informal soccer fields
Vandalism of sports facilities
Lack of funding to repair and acquire needed specialized equipment
Scarcity of water resources to maintain facilities
Facilities are deteriorating by the day because of lack of maintenance due to insufficient budget

Traffic

Shortage of staff, vehicle fleet and equipment to cater for other Steynsrus and Viljoenskroon
Lack of funding to do intensive community education programmes in road safety awareness
Maintenance of road traffic signs and road markings
Implementation of the one-way system to help to reduce the traffic flow in the main street
Lack of funds for the implementation of the heavy motor vehicle plan

PERFORMANCE INFORMATION

CIVIC THEATRE					
Performance Indicator	Unit of measurement	09/10 actual	10/11 target	10/11 Actual	Explanation of actual performance and corrective measures
Co-ordination of arts and culture festivals	Number of festivals held	3	1	0	Initiatives from the community is very poor
Provision of facility for different events	Events held	127	98	113	The condition of the civic complex is deteriorating
Improvement of revenue grows at snail's pace		R67 107.43	R92 336.86	R95 660.95	Slow pace for revenue increases

CLEANSING					
Performance Indicator	Unit of measurement	09/10 actual	10/11 target	10/11 Actual	Explanation of actual performance and corrective measures
To ensure effective waste management and waste removal services by training personnel on basic skills on waste handling, removal and management.	No of personnel trained	25%	50%	25%	Funding is still a challenge
Refuse workers to be subjected to regular health check-ups and are equipped with safety equipment	% employees underwent check-ups	100%	100%	100%	All employees underwent check-ups
	% of safety equipment issued	100%	100%	80%	Safety equipment given
To ensure an effective waste removal service by means of proper supervision of the refuse removal teams and workers.	% removal services	100%	100%	100%	Due to old fleet there were days when areas where refuse was not collected
Maintain daily street cleansing through proper supervision and provision of appropriate tools and equipment	A clean CBD area	100%	100%	100%	Achieved
	% of tools and equipment required	100%	100%	100%	Achieved
Improve removal of illegally dumped waste by appointing a team to deal with this service.	% illegal dumps removed	25%	100%	25%	There are no resources dedicated to this service. Technical services assist as and when they are available.

CUSTOMER CARE (CRISIS CALL CENTRE)					
Performance Indicator	Unit of measurement	09/10 actual	10/11 target	10/11 Actual	Explanation of actual performance and corrective measures
Call taking and dispatching occurs within five (5) minutes, and all queries are referred for trace back.	Number of calls received	28 043	28 043	30 304	
	Number of calls dispatched	24 116	24 116	26 238	
Trace back done on completion of call by service units.	Number of calls referred	25 238	25 238	24 182	
	Number of calls referred	50%	50%	50%	

DISASTER MANAGEMENT					
Performance Indicator	Unit of measurement	09/10 actual	10/11 target	10/11 Actual	Explanation of actual performance and corrective measures
Involve all Disaster Management disciplines National, Provincial and District Department as well as NGO's in order to promote coordination.	Number of meetings attended/ held with role players	2	2	2	
Identify and provide the necessary emergency equipment to ensure effective Disaster Management in the Moqhaka region.	Acquire the resources needed	0	0	0	

FIRE BRIGADE SERVICES					
Performance Indicator	Unit of measurement	09/10 actual	10/11 target	10/11 Actual	Explanation of actual performance and corrective measures
Preventing the outbreak or spread of a fire	Fire safety inspections	371	371	252	Staff shortages and lack of fleet
	School visits	405	405	100	
Fighting or extinguishing a fire	Physical fires attended to	375	375	330	
Rescue of life or property from a fire or other danger	Number of rescues done	106	106	27	Equipment to be bought and upgraded

KROONPARK					
Performance Indicator	Unit of measurement	09/10 actual	10/11 target	10/11 Actual	Explanation of actual performance and corrective measures
Upgrade and maintain the resort	Tilling of 24 bed rooms	15	24	10	Only 10 bed rooms could be tilled due to financial constrains. The rest of the chalet bed rooms will be tilled in the new financial year 2011/2012
	Patching and re-sealing of 15 chalet roofs	0	15	0	None of the chalet roofs could be patched or re-sealed due to financial constrains
	Renovating of Bloekom Lapa and acquiring of new furniture	0	100%	0	The Bloekom lapa could not be renovated due to financial constrains but 100 chairs and 15 steel tables were acquired
	Maintaining and renovation of in-door swimming pool building	0	50%	0	None of the chalet roofs could be patched or re-sealed due to financial constrains
	Installing of 4 new entrance and exit doors at in-door swimming pool	0	100%	0	The 4 new entrance and exit aluminum doors at in-door swimming pool could not be replaced due to financial constrains

Performance Indicator	Unit of measurement	09/10 actual	10/11 target	10/11 Actual	Explanation of actual performance and corrective measures
	Painting, re-sealing and patching of restaurant roof	0	100%	0	The restaurant roof could not be patched or re-sealed due to financial constraints
	Painting of reception office	0	100%	0	The reception office could not be painted due to financial constraints
	Renovating and maintaining of ablution blocks	0	100%	0	All ablution blocks could not be renovated at once due to financial constraints but all the showers were tiled. Renovations will be done in the new financial year 2011/2012

LIBRARIES					
Performance Indicator	Unit of measurement	09/10 actual	10/11 target	10/11 Actual	Explanation of actual performance and corrective measures
Provide facilities, promote a culture of reading and lifelong learning	Number of events celebrated	6	6	11	Staff shortage is a major problem that makes it difficult for us to achieve even more
	No. of membership	44478	44478	44668	Our customers (learners) mostly, find scholarships or employment outside Kroonstad and this affects our membership growth rate negatively in most cases.

CEMETERIES					
Performance Indicator	Unit of measurement	09/10 actual	10/11 target	10/11 Actual	Explanation of actual performance and corrective measures
Ensure regular maintenance of cemeteries	Acquisition of resources e.g. fleet, equipment, funding and appointment of staff	0	0	1 Cat TLB	Insufficient resources and staff * proper budgeting * appointment of staff
Encourage and partake in cleaning of cemeteries	Number of cleaning campaigns undertaken	2	4	2	Insufficient funds * encourage communities to clean the next of kin's grave areas * more fund allocation

SPORT AND RECREATION					
Performance Indicator	Unit of measurement	09/10 actual	10/11 target	10/11 Actual	Explanation of actual performance and corrective measures
Maintenance of sport facilities	Mowing of facilities on a regular basis	Fortnightly	Fortnightly	Fortnightly	Achieved
Resuscitate sports council	A functional sports council established where all towns are represented	Moqhaka Sports Council established	Sports council in place	Sports Council in place	Achieved

Performance Indicator	Unit of measurement	09/10 actual	10/11 target	10/11 Actual	Explanation of actual performance and corrective measures
Provision of sporting facilities to all sporting codes	Number of events held	154	227	80	Lack of resources and personnel shortage * appointment of the sport and recreational officer * allocation of more budget

PARKS AND OPEN SPACES					
Performance Indicator	Unit of measurement	09/10 actual	10/11 target	10/11 Actual	Explanation of actual performance and corrective measures
Maintenance of parks	Percentage of parks maintained	70%	100%	55%	Lack of resources and personnel * appointment of staff * procurement of the relevant equipments
Greening of Moqhaka	Number of trees planted	700	2 000	150	Lack of funding and resources * increase of budget * improve our own nursery

TRAFFIC					
Performance Indicator	Unit of measurement	09/10 actual	10/11 target	10/11 Actual	Explanation of actual performance and corrective measures
Develop a road safety school programme	Schools visited	0	8	4	Access to schools to run programme difficult
Promote traffic safety, order and mobility	Operation undertaken	12	24	30	Co-ordination with other stakeholders produced success
Upgrading and maintenance of traffic signs and road markings	Frequency of maintenance and markings	Monthly	Per need	Monthly	Lack of proper equipment

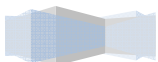
FREE BASIC SERVICES	
Free refuse removal to indigents	12 719



"People's Power In Action"

TECHNICAL SERVICES : ANNUAL REPORT

2010/2011



DEPARTMENT TECHNICAL SERVICES

The Municipality as a Service Authority within its area of jurisdiction has a legislative mandate to provide services in a safe and healthy environment. The Technical Department is responsible for operation and maintenance of infrastructure which include electricity, water services, roads and storm water. The Technical Department also provides support services such as the Mechanical Workshop.

The Technical Department also plays a pivotal role in terms of facilitation and coordination of services provided by Provincial and National Departments. The Municipality has adopted a five year IDP Plan which is a strategic document aiding in the developments within the Municipality. Sector plans are also included which gives affect to the strategies and objectives in the IDP. The IDP is further informed by both the National and Provincial development strategies.

The purpose of the report is to provide information in respect of the core responsibilities, objectives, achievements as well as challenges faced by the Technical Department during the 2010/11 financial year.

Technical Services Department is responsible for the following services:

1. Provision of new infrastructure in terms of planning and implementation.
2. Operating, maintenance and refurbishing/rehabilitation of existing infrastructure.
3. Provision of basic services such as water, electricity and roads.

This is done as a basic service delivery aspect in the following areas:

Water and waste water services

- Water purification
- Sewerage treatment
- Storage dams
- Water reservoirs
- Water and sewage reticulation networks

Roads, storm water, railways and public works

- Roads design, construction and maintenance
- Storm water drainage system
- Railway sidings and maintenance
- Bridges and culverts
- Landfill site management

Electricity

- Electricity Distribution

- Electricity network maintenance and upgrading
- Electricity Consumption Care
- Public lighting

Mechanical workshop

- Fleet management
- Maintenance and repairs of vehicles, plant and equipment

Buildings survey

- Approval of building plans, construction and inspections thereof

Objectives and Achievements

Strategic objectives are set out in planning and budgeting tools such as IDP and MTAS in order to properly plan and achieve targets. Priority areas regarding basic service delivery are as follows:

- Access to water,
- water loss,
- water quality,
- access to sanitation,
- access to electricity,
- energy efficiency,
- access to municipal surfaced roads

Departmental Challenges

- ▶ Institutional and organizational development : attraction and retention of skilled competent personnel, prolonged recruitment processes, inadequate training and development of staff
- ▶ Infrastructure maintenance and development : outdated technology and aged infrastructure, lack of infrastructure master plans and maintenance plans, inadequate infrastructure capacity to meet supply demand, theft and vandalism of infrastructure, no preventative maintenance, decaying infrastructure, heavy motor vehicular movement through and around CBD, distribution losses (water and electricity)
- ▶ Machinery equipment and fleet : shortage of machinery and equipment, average age of municipal fleet is 25yrs, most fleet out of useful lifespan, prolonged turn around time in terms of repairs and continued breakages, no road maintenance equipment.
- ▶ Financial Constraints : insufficient maintenance budget, no capital budget appropriated (own funding), lack of consumables and sundry items, supplier / municipal relations dented, creditor and debtor management
- ▶ Natural Hazards : rainfall and flooding caused major delay in project implementation and flooding of residential areas, extensive damage to infrastructure and facilities / property

- ▶ Compliance to Regulations : Inadequate monitoring and measuring equipments, water quality monitoring and measuring, effluents standard monitoring (blue and green drop), facility compliance
- ▶ Bulk Supply Services : Inadequate bulk raw water supply in Viljoenskroon and Steynsrus, Inadequate electricity bulk supply in Viljoenskroon. Purification treatment and handling of potable water and effluent, influx and migration into the municipal area

SECTIONAL REPORTS

BUILDING SURVEY

BUILDING SURVEY SECTION					
BUILDING PLANS APPROVED FOR THE FINICAL YEAR 2010 /2011					
	KROONSTAD	MAOKENG	BRENT PARK	RAMMULOTSI	VILJOENSKROON
JUL	1101.24	454.96	0	1375.86	0
AUG	1965.03	3299.38	407.97	1725.59	1264.48
SEP	1133.18	1640.45	239.40	0	362.00
OCT	2099.96	1005.79	0	646.38	0
NOV	3327.65	1667.82	0	1075.02	1562.87
DEC	543.24	809.28	0	0	0
JAN	905.40	1018.16	0	0	0
FEB	1029.42	1803.32	0	766.75	2703.22
MAR	1932.27	2649.20	0	957.60	0
APR	2577.60	1145.18	0	766.09	0
MAY	1675.89	1311.72	0	335.19	125.00
JUN	2226.48	1061.35	0	1029.44	215.46

ELECTRICITY

Introduction

The Municipality as a licensed electricity distribution authority has the responsibility of providing quality of service to its consumers in accordance with the applicable Regulations and prescribed standards.

- The Municipality is a licensed energy distributor (NERSA)
 - 5 distribution substations, 28 km HT lines and cable, 309 km MV reticulation lines. Public lighting consisting of approximately 90 high mast lights and 6210 streetlights
- Guiding Legislation pieces:
 - Electricity Amendment Act
 - Occupational Health and Safety ACT
 - NRS
 - Energy Bylaws

Core Responsibilities

The core responsibilities of this section include the following:

- Providing quality and uninterrupted supply of electricity to all domestic, business, industrial and rural consumers within its area of distribution.
- Maintaining the electricity distribution network in order to adhere to the prescribed standards.
- Upgrading of the electricity distribution network in order to accommodate population growth as well as business and industrial development.
- Monitoring electricity consumption of consumers by means of effective metering and visual inspections in order to minimize electricity losses.
- Providing accurate feedback to the monitoring authority National Electricity Regulator South Africa (NERSA) pertaining to quality of service and quality of supply in order to adhere to license conditions.

General

In order to adhere to and achieve the mandated responsibilities it is imperative that all necessary resources be made available including financial, operational equipment and

machinery and human capital to be utilized in an optimal and efficient manner. Due to financial constraints the operational and human capital resources are effected negatively and this causes additional constraints that has to be managed in order to sustain the quality of service required.

Structure - The Electricity Section consists of 3 Divisions namely Distribution, Consumption Care and Administration/Technical Support. A total of 101 positions are catered for on the organizational structure of this Section although only 60% of the positions are currently filled.

Power Station - The Electricity Section has a Power Station under its assets although the Power Station is currently shut down and has not operated since 1997. Considering the current energy crises and the rising cost of electricity a service provider was appointed to investigate the feasibility of refurbishing the power station and the possibility of operating it as a MTPPP.

Electricity Distribution Industry – Following the signing of the co-operative agreement pertaining to the restructuring of the electricity distribution industry (EDI) a service provider was appointed by the EDI to undertake the investigation and study regarding the ring fencing of the Electricity Section and the Section 78 process involved. After completion of this process a report will be submitted to Council for final approval.

Service Provider Matachi and Associates has been appointed by EDI Holdings to undertake inter alia the functions of establishing steering committee, ring fencing the Electrical Section through a tri party agreement. The item has been forwarded to Council for both the formulation of steering committee under Section 78 and signing of the tri-party agreement.

On 8 December 2010 Cabinet resolved that the electricity distribution industry (EDI) restructuring process will be terminated and that an administrator would be appointed to oversee the closure of EDI Holdings (Pty)Ltd.

A copy of the relevant portion of the Cabinets resolution is appended below:

“Cabinet decided to terminate the electricity distribution restructuring and to discontinue the process of creating the Regional Distributors (REDs) with immediate effect. Although EDI Holdings (EDI) had made significant progress in establishing the RED’s, Cabinet approved the recommendation that the Department of Energy (DOE) take over programmes previously executed under the EDI Holdings mandate. The Department will review the whole electricity value chain with a view to developing a holistic approach to revitalize the electricity infrastructure, energy security as well as financial implications. An Administrator will be appointed to attend to the winding up of EDI Holdings. The Board will remain accountable until the end of the 2010/2011 financial year. “

Energy saving initiatives – The municipality forms part of power conservation program (PCP) and energy conservation scheme as initiated by National Government to save and conserve energy. To this extend the installation of CFLs have been embarked upon in conjunction with Eskom. A total of 120 986 CFLs were installed during 2009/2011.

The Municipality and Nandi PMC entered into a Memorandum of Understanding (MOU) for the installation of 10 000 low pressure geysers in Maokeng and Brentpark for as long as the Eskom rebate remains. 5845 houses in Maokeng have received a Tasol Solar Geyser but that the project to install low pressure geysers was suspended on 30 June 2011 as the rebate fund set aside by Eskom was depleted. An investigation is also underway for the installation of energy saving traffic signals.

Financial

The operation of the Electricity Section is totally dependant on the annual operating budget allocation. The main source of income is electricity sales which amounted to R 150 106 887.05 for the 2010/11 financial year.

Projects such as the Construction of High Mast lights and installation of streetlights are funded by the Municipal Infrastructure Grant (MIG). Electrification projects are funded by the Department of Energy (DoE). This include the Electrification of Marabastad which form part of Operation Hlasela. Funding for rural household electrification is however still a problem due to the fact that the allocated amount per connection does not cover the actual cost for the reason that long lines and transformers are required in these areas.

Summary of electricity operating budget 2010/2011

EXPENDITURE			
1	Salaries & Allowances	R	13,149,307.00
2	General Expenditure	R	709,617.00
3	Purchase of Electricity	R	90,476,657.00
4	General Expences	R	340,660.00
5	Interest Expenses	R	396,750.00
6	Repairs and Maintenance	R	7,683,481.00
7	Departmental Expenses	R	719,089.00
8	Transfers	R	1,380,000.00
Total Operating Expenditure		R	114,855,761.00

INCOME			
1	Service Charges	R	150 106 887.00
2	Fines (Tamper)	R	3,000.00
3	Other Income (Connection Fees etc)	R	82,000.00
Total Operating Income		R	150 191 887.00

Details of funding for projects can be seen under the heading projects. As evident from the figures above the repairs and maintenance funding available in order to maintain the electricity distribution network throughout the year are limited and insufficient. According to NERSA standards a minimum of 5% of electricity sales should be allocated for repairs and maintenance. This constitutes an amount of R 7 500 000.00 and only R 4,5m was allocated in the 2010/11 budget.

Constraints

- Shortage of vehicles
- Mechanical problems with vehicles and standing time involved
- Availability of funds and processing time of requisitions and vouchers
- Theft and attempted theft of cable and transformers
- Shortage of fuel and hours to refuel not practical
- Ageing of substation buildings and equipment
- Shortage of staff
- Shortage of meters and backlog of installations due to shortage of meters
- Costly repairs to 66kV cable ring
- Eskom accounts in arrears
- Funding for capital projects
- Unsafe working conditions due to Central switching station (not complete)

Incidents such as the 66kV cable breakdowns that were experienced during this financial year required specialized service providers and were costly. This unavoidable emergency expenditure exhausted the already insufficient repairs and maintenance budget. Although an addition was made to the operating budget to specifically cater for 66kV repairs and maintenance no funds were allocated to this vote.

The shortage of vehicles and equipment seriously impaired the operation of this Section and had a negative effect on service delivery in general. Due to the shortage of vehicles the cut of action could not be executed as required and this reflected negatively on the overall financial situation of Council. Shortage of senior personnel for which the post are still not filled are a challenge. Filling of vacancies takes prolonged period.

Revenue enhancement – Challenges are experienced with meters that are being tampered with or unavailability of meters. The shortage of vehicles is also a challenge in this regard. External service providers are being utilized but not extensively due to limited resources. The high number of prepaid meters that are bypassed due defects also impact negatively on electricity sales and an action plan for the replacement of these meters has been implemented. However the unavailability of prepaid meters is still a problem.

The frequent theft and vandalism of equipment and cables also impacted negatively on the financial and operational effectiveness of the section due to the fact that materials and equipment stolen must be replaced as soon as possible. This further poses a danger to the community as well as the culprits stealing the equipment due to exposed live conductor.





The above mentioned constraints all impacted negatively on service delivery due to additional work load, unproductive standing time, long waiting period for spares and equipment and unnecessary and avoidable damage to the infrastructure

Projects

Operation Hlasela was introduced which includes the housing project in Marabastad and subsequently the electrification of this area. The municipality has a Constitutional mandate under Section 152 of the Constitution “Objects of Local Government” to inter alia provide democratic and accountable government for local communities, services in a sustainable, manner, promote social and economic development, safe and healthy environment and involve communities in matters of Local Government.

In order to assist municipalities and the District an initiative “Operation Hlasela” has been introduced. At the heart of Operation Hlasela is accelerated service delivery based on locality. The Moqhaka Municipality has been identified as priority municipality based on its growth potential and needs. To give a practical meaning to Operation Hlasela a total of 70 programs/projects have been identified based on the potential and needs of specific localities in the Province.

In the Locality Marabastad settlement has been identified as a critical area informed by the following programs as contained in the objectives and programmes of Operation Hlasela :

- Program 13 “Township revitalization program”
 - Program 55 “ Implementation and radical township revitalization programme which aims at improving the image and value of the township as decent places of residence”

The realities on the ground in the Marabastad Settlement is that it is the first and oldest settlement within the municipality with the highest number of “poorest of the poor”, has a vast number of dilapidated structures which are inhabitable and pose a risk to communities and underdevelopment of infrastructure in the area.

In line with integrated human settlement thus providing sustainable housing with appropriate level of municipal services, community facilities, recreational facilities and economic facilities. The projects will be undertaken under the guidelines of massification (local ward based labour absorption), skills development and transfer, local procurement (materials and services) and smme/sub contractor development. Central to this is community participation and involvement on Local Government matters affecting them and their locality.

A) Electrification of Marabastad (Operation Hlasela)

Amount Allocated	R 7.8m
Source	DoE, Municipality
Consultant	Maze Projects
Contractor	Mayivuthe Contractors
Summary	<p>Provisions of new electrical connections to 329 houses in Marabastad. The installation to include underground metered house connections (prepaid metering), MV and LV distribution and provision of public lighting with energy saving components.</p> <p>The construction of the MV and LV reticulation network started during September 2010 and was completed during March 2011 in all areas. Due to the shortage of funding for construction of houses only 104 metered connections were made.</p>

B) Refurbishment of Kroonstad Central Switching Station

Amount Allocated	R 4 607 584.69 (Insurance Claim) + 800 000 (Moghaka own funding)	R 1
Source	Insurance Claim + Own Funding	
Consultant	Lyon & Partners	
Contractor	Ukubona Holdings (Pty)Ltd / Actom	
Summary	<p>This project comprises of the refurbishment of the central switching station situated at the Electricity section in Marock Street including the replacement of the 18 x 6.6kV switchgear panels that was</p>	



damaged in the fire. Due to the size of the new switchgear the building had to be extended. The manufacturing of switchgear for the substation is underway and installation will commence when received. Panels FAT was done on 29 June 2011 and will be delivered when panels are paid in full.

Energy bulk supply

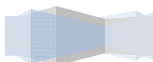
The notified maximum demand (NMD) for Kroonstad had to be increased from 40 Mega Watt to 60 Mega Watt due to the higher demand for electricity. In order to distribute this additional 20 MW to the consumers in the critical areas various network upgrades will have to be done such as additional High and Medium Voltage cables and minisubs etc.

Negotiations are underway with Eskom in order to increase the NMD of Viljoenskroon from 5 Mega Watt to 10 Mega Watt. This upgrade is necessitated due to the upgrade of businesses in the industrial area and a higher demand in general by the consumers due to population growth etc. Unlike with Kroonstad where Eskom already had the additional demand available Eskom will have to do a network upgrade at Viljoenskroon in order to supply the additional 5 MW and this will have a cost implication for Council.

The fact that certain planned areas for development such as Northleigh situated next to Rammulotsi are under Eskom jurisdiction delays the electrification of these areas due to the fact that funding cannot be granted to the Municipality before the area is transferred to Council's distribution license. An application has been lodged to NERSA in order to transfer Northleigh from Eskom to the Municipality's distribution area and the various processes are being followed in this regard. However Eskom has indicated that the electrification of this areas will be done in due course.

Consumer & consumption information

Number of Consumers	:	26 891
Prepaid Domestic	:	21 777
Prepaid Business	:	927
Conventional Domestic	:	2485
Conventional Business	:	871
Bulk Metered	:	133
Off Peak	:	16
Rural Prepaid	:	505



Rural Conventional	:	175
Total number of units from Eskom	:	245,083,537
Total Cost (excl VAT)	:	R 107,217,687.00
Total Number of units sold	:	210 621 585
Total Amount (excl VAT)	:	R 150,106,887.00
Total units lost (line losses incl)	:	34 461 951
Cost of units lost (line losses incl.)	:	R 25,100,255.00

See Annexure for detailed figures in this regard.

MOQHAKA MUNICIPALITY
DEPARTMENT TECHNICAL SERVICES - ELECTRICITY
YEAR REPORT FOR THE FINANCIAL YEAR 2010/2011

Annexure A

Annexure A

DESCRIPTION	Users	July 2010 - June 2011						TOTAL excl VAT	Unit price Unit price
		Units			AMOUNT				
Purchase from Eskom		kWh	kW	kVA	Basic	kWh	kW	kVA	
		245083537	0	516447		R 107,217,687.29			R 0.4375

DESCRIPTION OF ELECTRICITY TARIFF (URBAN)	Users	July 2010 - June 2011						TOTAL excl VAT	Unit price Unit price	
		FBE	kWh	kW	kVA	Basic	kWh			kW
1. PREPAYMENT SUPPLIES										
1.1 HOMELIGHT	11399	3471100	23802444			R 14,240,683.68			R 14,240,683.68	R 0.5993
1.2 HOME POWER	9013	673200	4186665			R 30,010,668.27			R 30,010,668.27	R 0.7368
1.3 BUSINESS RATE	797		8355572			R 8,165,078.20			R 8,165,078.20	R 0.9772
2. CONVENTIONAL SUPPLIES										
2.1 HOME POWER	2273	81000	16139314		R 2,283,207.76	R 12,015,793.02			R 14,299,000.78	R 0.8860
2.2 HOME POWER (Bulk)	4		988111		R 103,035.00	R 980,788.59			R 1,083,823.59	R 1.0969
2.3 BUSINESS RATE	906		16217894		R 2,149,201.67	R 13,766,128.44			R 15,917,420.11	R 0.9815
2.4 BUSINESS RATE (Off-Peak)	0		0							#DIV/0!
2.5 BULK - Demand in KVA	42		50863111		R 2,114,616.00	R 17,926,601.77		R 13,100,271.40	R 33,147,690.23	R 0.6517
2.6 BULK - Demand in KW	52		18566353	84566	R 303,967.00	R 6,306,229.28	R 6,632,068.20		R 13,444,684.48	R 0.7241
2.7 OFF PEAK	6		0	0	R 50,016.00			R -	R 50,016.00	#DIV/0!
2.8 UNMETERED	0		0	0						#DIV/0!
3. CONVENTIONAL SUPPLIES (Municipal)										
3.1 BUSINESS RATE	40		218022		R 107,540.00	R 184,707.93			R 292,247.93	R 1.3405
3.2 BULK - Demand in KVA	4		1577396		R 19,612.00	R 836,240.81		R 365,155.38	R 921,206.19	R 0.5840
3.3 BULK - Demand in KW	28		5783036	41844	R 362,912.00	R 5,613,013.34	R 216,902.50		R 6,184,925.34	R 0.6341
3.4 OFF PEAK	4		1006265	581	R 25,062.00	R 940,594.86		R 68,645.52	R 434,292.37	R 0.4316
3.5 STREET LIGHTING			490896			R 120,707.65			R 120,707.65	R 0.2459
DESCRIPTION OF ELECTRICITY TARIFF (RURAL)										
1. PREPAYMENT SUPPLIES										
1.1 HOMELIGHT										#DIV/0!
1.2 HOME POWER	309	3700	1905034		R -	R 1,470,548.94			R 1,470,548.94	R 0.7728
1.3 BUSINESS RATE	30		366705		R -	R 366,130.75			R 366,130.75	R 1.0059
2. CONVENTIONAL SUPPLIES										
2.1 HOME POWER	128		1448076		R 193,707.79	R 1,188,238.15			R 1,381,945.94	R 0.5443
2.2 HOME POWER (Bulk)	0		0		R -					#DIV/0!
2.3 BUSINESS RATE	25		730172		R 85,260.00	R 621,942.07			R 707,202.07	R 0.9685
2.4 BUSINESS RATE (Off-Peak)	0		0		R -					#DIV/0!
2.5 BULK - Demand in KVA	0		0		R -			R -		#DIV/0!
2.6 BULK - Demand in KW	9		2550103	6775	R 52,356.00	R 860,464.55	R 849,730.74		R 1,762,551.20	R 0.6912
2.7 OFF PEAK	5		8626363	20412	R 29,367.00	R 2,235,061.02		R 2,553,085.44	R 5,518,433.46	R 0.6397
2.8 UNMETERED	0		0		R -					#DIV/0!
3. CONVENTIONAL SUPPLIES (Municipal)										
3.1 BUSINESS RATE	16		604983		R 65,360.00	R 510,482.28			R 575,842.28	R 0.9518
3.2 BULK - Demand in KVA	0		0		R -			R -		#DIV/0!
3.3 BULK - Demand in KW	0		0	0	R -		R -			#DIV/0!
3.4 OFF PEAK	0		0		R -			R -		#DIV/0!
3.5 STREET LIGHTING			0							#DIV/0!
TOTAL	25092	4529000	206092585	133205	148261	R 7,745,520.22	R 118,266,907.99	R 7,901,301.44	R 16,093,157.80	R 0.7283
TOTAL SYSTEM LOSSES			34461952						R 25,100,254.74	
% TOTAL SYSTEM LOSSES			14.06%							
ESTIMATE LINE LOSSES			9803941						R 7,140,232.99	
% ESTIMATE LINE LOSSES			4.00%							
TOTAL LOSSES DUE TO TAMPERING OR THEFT			24658611						R 17,960,021.75	
% TOTAL LOSSES DUE TO TAMPERING OR THEFT			10.06%							
% AVERAGE LOAD FACTOR			65.91%							

MOQHAKA ELECTRICAL ENGINEERING

SECTION 3 TECHNICAL SUPPORT - TECHNICAL OFFICIAL

July 2010 to June 2011

SCHEDULE A : ROUTINE INDICATORS

No	Description of KPI	Target for Week (if applicable)	Actual for Week	% Achieved (office use)	Comments / Reason for Variance
1	Cable Fault Location (LT)	434	434	100%	
2	Cable Fault Location (MV)	38	38	100%	
3	Cable route location	315	315	100%	
4	Netlog Data recorder	14	14	100%	
5	Max Demand Meter Installations and changes	9	9	100%	
6	Max Demand Meter Tests	1	1	100%	
7	Max Demand Meter account queries and investigations	11	11	100%	
8	Traffic Light Controllers	13	13	100%	
9	Administration	1440	1440	100%	

MOQHAKA ELECTRICAL ENGINEERING

SECTION 2 : CONSUMPTION CARE

July 2010 to June 2011

SCHEDULE A : ROUTINE INDICATORS

No	Description of KPI	Target for Month (if applicable)	Actual for Month	% Achieved (office use)	Comments / Reason for Variance
1	Administration	1178	1178	100%	Compiling KPI and queries from consumers, telephone calls
2	Meter Inspections	1445	1445	100%	Inspection done in Maokeng, shortage of Staff & vehicles
3	Queries / Call Outs	13477	13477	100%	Call outs in Moakeng, Kroonstad, Brentpark and Small holdings
4	Disconnections	336	336	100%	Moakeng, Kroonstad, Brentpark and Small holdings
5	Reconnections	249	249	100%	Moakeng, Kroonstad, Brentpark and Small holdings
6	Meter Readings	11	11	100%	Shortage of vehicles
7	Meter Changes (Conv - PP)	303	303	100%	Meter change in Maokeng and Kroonstad
8	Meter Replacements (Conv - Conv, PP - PP)	362	362	100%	Meter replacement in Maokeng and Kroonstad
9	New Installations	92	92	100%	New installation of Meters and Ready Boards in Maokeng and Kroonstad
10	Shifting of Meters	177	177	100%	Shifting of meters and ready boards in Maokeng
11	Testing of Meters	969	969	100%	Meters testing was done in meter room

MOQHAKA ELECTRICAL ENGINEERING

SECTION 1 : ELECTRICITY DISTRIBUTION

July 2010 to June 2011

SCHEDULE A : ROUTINE INDICATORS

No	Description of KPI	Target for Month (if applicable)	Actual for Month	% Achieved (office use)	Comments / Reason for Variance
1	High Voltage Inspection/s	161	161	100%	All major substations
2	High Voltage Power Failures	0	0	0%	
3	High Voltage Overhead Power Line repairs	0	0	0%	
4	High Voltage Cable Joints	23	23	100%	
5	High Voltage Transformer maintenance / repairs	10	10	100%	
6	High Voltage Switchgear maintenance / repairs	21	21	100%	
7	High Voltage Switching	7	7	100%	66kV transformers
8	High Voltage Substation maintenance	32	32	100%	
9	High Voltage Metering (reading/installation)	145	145	100%	All major substations - all reading including oil pressure
10	High Voltage Construction Work	52	52	100%	
11	High Voltage Mechanical Work	9	9	100%	
12	Medium Voltage Inspection/s	94	94	100%	6.6kV substations
13	Medium Voltage Power Failures	213	213	100%	
14	Medium Voltage Overhead Power Line repairs	139	139	100%	
15	Medium Voltage Cable Joints	87	87	100%	
16	Medium Voltage Transformer maintenance / repairs	95	95	100%	
17	Medium Voltage Switchgear maintenance / repairs	26	26	100%	
18	Medium Voltage Switching	221	221	100%	
19	Medium Voltage Substation maintenance	86	86	100%	Clean yards etc.
20	Medium Voltage Metering (reading/installation)	154	154	100%	Substations
21	Medium Voltage Construction Work	81	81	100%	
22	Medium Voltage Mechanical Work	14	14	100%	
23	Low Voltage Inspection/s	108	108	100%	
24	Low Voltage Power Failures	433	433	100%	
25	Low Voltage Overhead Power Lines	230	230	100%	
26	Low Voltage Cable Joints	506	506	100%	
27	Low Voltage Transformer maintenance / repairs	58	58	100%	
28	Low Voltage Switchgear maintenance / repairs	27	27	100%	
29	Low Voltage Switching	21	21	100%	
30	Low Voltage Metering (reading/installation)	31	31	100%	
31	Low Voltage Construction Work	139	139	100%	
32	Low Voltage Mechanical Work	29	29	100%	
33	Administration	3405	3405	100%	
34	Municipal Equip/Buildings repairs and maintenance	1180	1180	100%	
35	New Connection/s	13	13	100%	
36	Dis-/Re Connections	35	35	100%	
37	Highmast Lights repairs and maintenance	152	152	100%	
38	Traffic Lights repairs and maintenance	614	614	100%	
39	Streetlights repairs and maintenance	2917	2917	100%	
40	Trenching jobs completed	183	183	100%	
41	Trenching jobs not completed	195	195	100%	

MOQHAKA ELECTRICAL ENGINEERING

Vehicles							
ITEM	REG. No	VEHICLE DESCRIPTION	MODEL	Con- dition	OPERA- TIONAL	DETAIL OF REPAIR WORK NEEDED	ESTIMATE COST
1	BXC 905 FS	TRUCK - TOYOTA HI-LUX 1800 (Petrol)	1995		Yes	Starter & carburetor	R 950.00
2	BZC 214 FS	TRUCK - TOYOTA DYNA with H/P	1985	Bad	Yes	Gearbox	R 25,000.00
3	BZD 743 FS	TRAILOR - CABLE CAR	1965		Yes		
4	BZP 391 FS	TRUCK - TOYOTA DYNA with H/P	1992	No		Hydrolic engin	R 5,000.00
5	BZP 393 FS	TRUCK - ISUZU JBR SIDE TIPPER	1982		Yes	Breaks + Starter + Tyres	R 10,000.00
6	BZW 761 FS	TRUCK - TOYOTA DYNA with H/P	1988		No	Engin + Breaks	R 15,000.00
7	BZW 762 FS	TRUCK - ISUZU 4 TON with H/P	1986	Bad	Yes	Starter	R 3,000.00
8	BZW 763 FS	TRUCK - TOYOTA DYNA HOTLINE with H/P	1989	Bad	Yes	Gearbox	R 30,000.00
9	CBH 775 FS	LDV - FORD BANTAM 1600	1991	Bad	Yes	Clutch bracket + Battery + Breaks	R 4,109.00
10	CBH 785 FS	TRAILOR	1960		Yes		
11	CBH 794 FS	TRAILOR - CABLE CAR	1989		Yes		
12	CBH 797 FS	BACKACTOR - JCB	1984	No		Hydrolic Valve Control	R 150,000.00
13	CBH 798 FS	TRACTOR - DAVIS ROAD RUNNER	1980		Yes	Chain+Bushes	R 4,500.00
14	CBH 801 FS	TRAILOR	1960		Yes		
15	CBH 802 FS	TRAILOR	1960		Yes		
16	CBH 803 FS	TRAILOR - ATLAS COMPRESSOR	1969		Yes		
17	CBH 805 FS	LDV - NISSAN 720	1986	Bad	Yes	Whiper motor	R 3,442.00
18	CBH 806 FS	TRUCK - ISUZU with CRANE	1991		Yes	Gearbox	R 32,365.00
19	CBK 954 FS	LDV - ISUZU KB 2.3	1987	Bad	Yes	Breaks	R 500.00
20	CBN 550 FS	TRAILOR - CABLE CAR HENRED FRAEHAUF	1977		Yes		
21	CCB 460 FS	LDV - NISSAN 1400	2000		Yes	Service + Tyres	R 2,500.00
22	CCD 008 FS	TRUCK - TOYOTA DYNA with LADDER	1992		Yes	Gearbox	R 5,000.00
23	CCF 871 FS	LDV - FORD BANTAM	1994	Bad	Yes		
24	CCF 886 FS	TRUCK - TOYOTA DYNA with H/P	1987		Yes		
25	CFX 744 FS	TRUCK - SAMAG with H/P	1995		Yes	Airvalve	R 40,000.00
26	CHP 665 FS	TRUCK - ISUZU 6 TON with CRANE 3 TON	1983	No		Engin + crane + COF	R 80,000.00
27	CHP 667 FS	TRUCK - TOYOTA DYNA	1983	Bad	Yes	Engin	R 60,000.00
28	CJC 975 FS	TRAILOR - WITH LADDER (#)	1970		Yes		
29	CJV 066 FS	TRAILOR - STREAM LINE OIL FILTER	1958	No			
30	CVJ 088 FS	LDV - OPEL CORSA 1.4	2004		Yes	Service	R 3,000.00
31	CVR 099 FS	LDV - FORD RANGER 1800 LWB	2004		Yes	Service	R 2,400.00
32	CXS 258 FS	TRUCK - TOYOTA DYNA	2005		Yes	Test certificate	R 2,500.00
33	CZV 634 FS	LDV - OPEL CORSA 1.4	2005	Bad	Yes	Tyres + engin	R 12,500.00
34	CZV 635 FS	LDV - OPEL CORSA 1.4	2005		Yes	Tyres + clutch	R 1,500.00
35	DBL 305 FS	TRAILOR - SKYJACK	2005		Yes	Axle	R 10,000.00
36	DDT 524 FS	LDV - ISUZU KB 300 LE	2006		Yes	Suspention + Shock Rubbers + Radiator	R 14,000.00
37	DKH 204 FS	TRAILOR - GENERATOR	2007	No		Only single phase	R 2,000.00
38	DSH603FS	NISSAN	2009		Yes	Tyres + service	R 2,000.00
39	DSH604FS	NISSAN	2009		Yes	Engin	R 17,000.00
40	DWH994FS	LDV - ISUZU	2010		Yes		
41	DWJ003FS	LDV - ISUZU	2010		Yes		
42	DWH998FS	LDV - ISUZU	2010		Yes		
TOTAL							R 538,266.00

ROADS & STORM WATER

Responsibilities

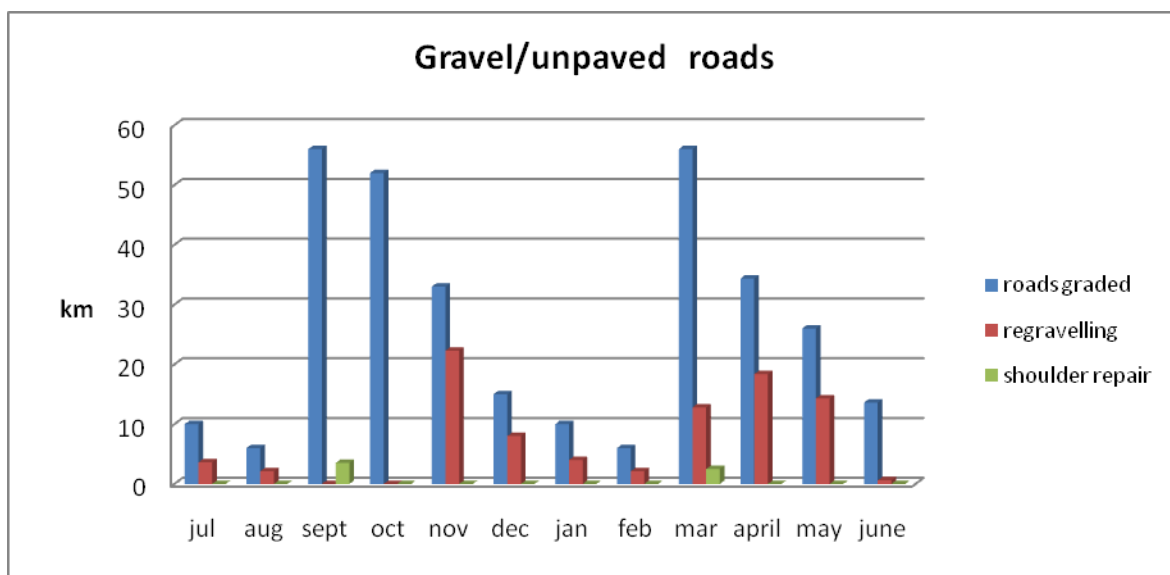
- Guiding Legislation / Policies:
 - National Traffic Act
 - COLTO & SANS 1200
 - Roads & Streets Bylaws
- Maintenance and repair as well as extension of roads in Moqhaka municipal jurisdiction
 - total of 449km surfaced and 390 gravel and dirt roads
- Maintenance and repair as well as new extensions of storm water catchments and other related infrastructure in Moqhaka municipal jurisdiction
- Railway siding maintenance

1.1 Gravel /unpaved Roads

A total distance of 318 kilometres was graded during the financial year. See figure 1 for the lengths graded monthly.

And a total distance of 59 kilometres was re-gravelled. See figure 1 for the lengths re-gravelled monthly. The total distance of the road shoulder repaired is 6 kilometres.

Figure 1

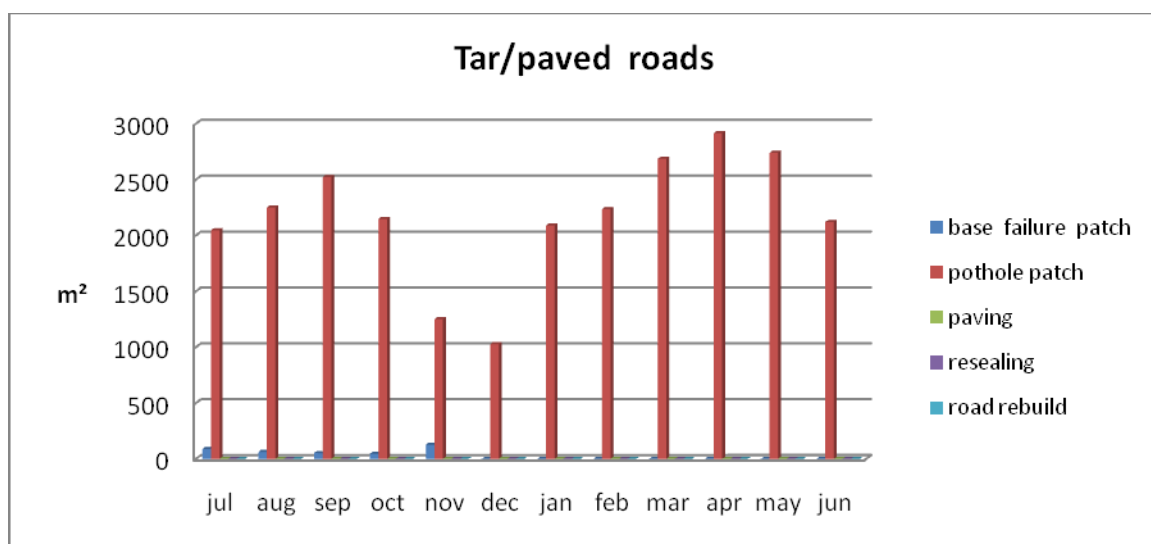


1.2 Tar/paved Roads

A total area of 26 022 m² of potholes has been patched during the financial year.

And an area of 371 m² of base failure has been patched.

Figure 2

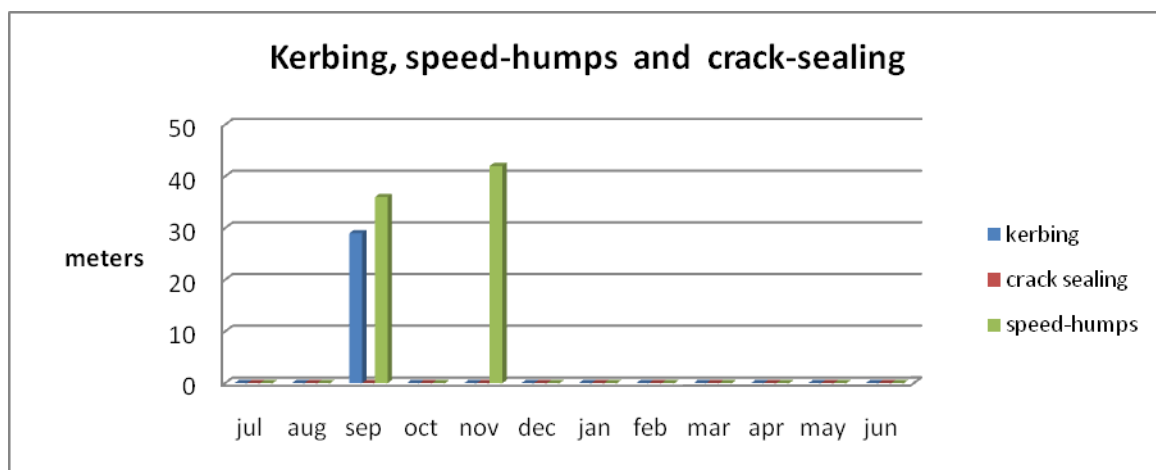


1.2.1 Kerbing, speed-hump and crack sealing

Kerbing maintenance was done Koekoe Village and Wilgehof area.

Speed-humps were erected in Rammolutsi, Maokeng and Kroonheuwel. Total number erected is thirteen.

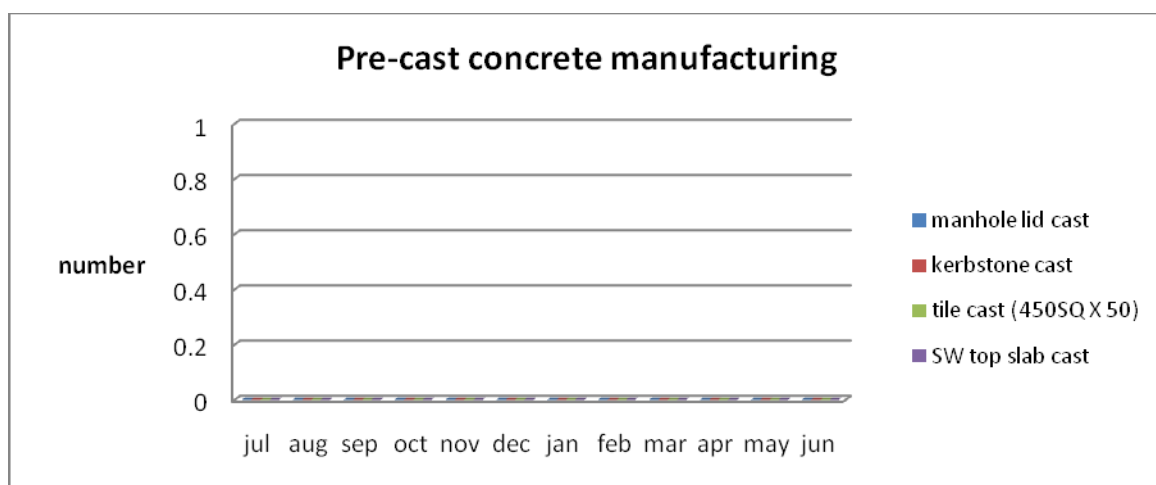
No crack seal on roads were done during the financial year.

Figure 3

1.3 Pre-cast Concrete Manufacturing

Due to the shortage of workers for patching of roads, all the workers responsible for manufacturing concrete materials were moved to patching teams.

No concrete castings were done during the financial year.

Figure 4

1.4 Storm-water Related Activities

1.4.1 Replace manhole covers

None.

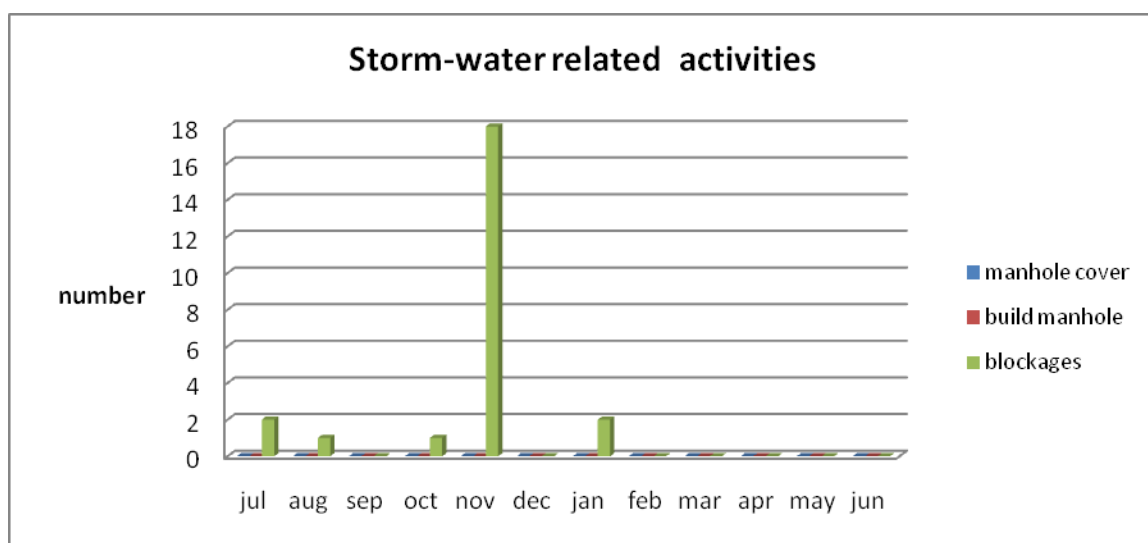
1.4.2 Build/rebuild manholes

None.

1.4.3 Remove system blockages

- Storm water channel was cleaned at (Wespark).
- Cleaning and clearing of storm water channels at Barnard street in Panorama, Truter and Mark street in the CBD, North road sub-way, Tom Ferreira, Meyer, Papenfus, Klomp, Market, Ramsbottom, Tang, A. Schlebush street, Smal-Deel and Marais street.
- Cleaning of open storm-water channel at Mongane street in Constantia Park.
- Two storm water drainages were unblocked in North road.

Figure 5



1.5 Miscellaneous

Animals buried consists consist of cats, cows, sheep, dogs, antelopes and chickens. See table below for the total amount buried. Fencing was demolished and erected at Seeisoville stadium. See table below for the total length erected.

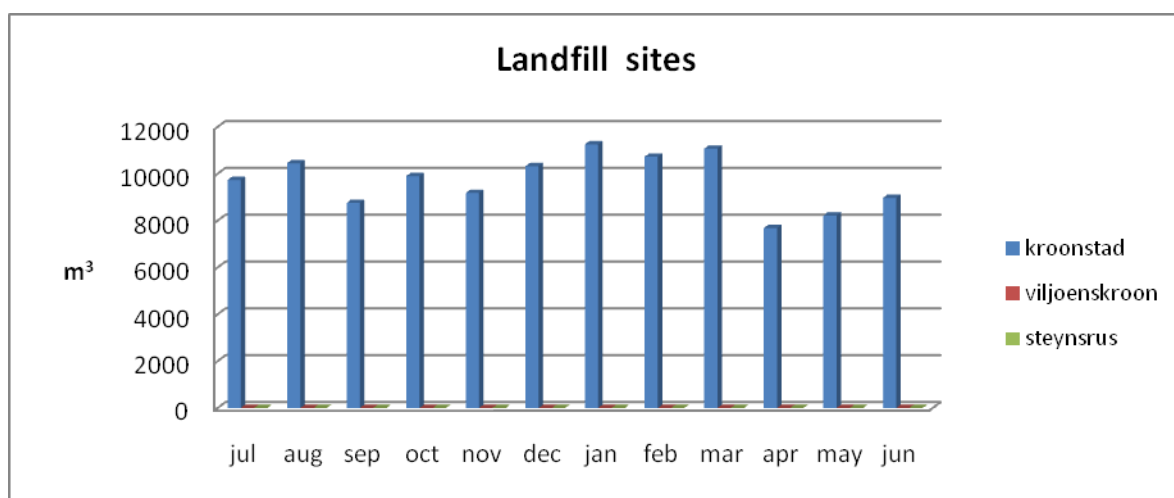
Noxious weed control was not done during the financial year.

Description	July-Dec	Jan-June	Total
	2010	2011	2010/2011
Animal burial (number)	144	95	239
Noxious weed control (m ²)	0	0	0
Fencing (m)	40	0	40
Park land scraped (m ²)	0	0	0

1.6 Landfill Sites

Landfill site was not in good conditions due to unavailability of trucks for the delivery of soil for cover material and a landfill compactor. See figure 6 for volumes dumped.

Figure 6



1.7 Railway Sidings

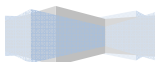
Goldfields Railways was contracted for three years to maintain the railway sidings, the contract ended on the 30 June 2010.

Repairs on the railway sidings were done by contractors on quotation basis during the financial year. See the table below for the work done.

Description	Accumulated values
Patrolling track	0
Track maintenance (m)	0
Maintenance turnout (m)	0
Weeding reserve (m ²)	0
Replacing sleepers (number)	0
Screen ballast (m)	0

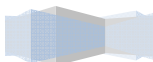
OPERATIONAL PROJECTS

ROADS	
AREA	DESCRIPTION
Northleigh (Rammolutsi)	Roads were cut open for access to the 2000 stands.



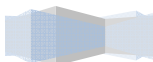
Juventas, Riverside, Kraalkop plots (Kroonstad)	Roads around were graded in November.
Constantia Park (Maokeng)	Mashinini plant hire was appointed to reconstruct a section of road and provide proper storm water at Roro street.
Moqhaka	Due to the huge backlogs with the maintenance of roads and storm structures, a special maintenance program was initiated. The program kicked-off from the 12 March 2011 and it continued until the end of May 2011.

STORM WATER	
AREA	DESCRIPTION
Seeisoville (Maokeng)	An open storm water channel across the road at Manis street was constructed.
Koekoe Village (Maokeng)	Wing walls were constructed at the bridge.
Viljoenskroon	The road leading to the Water treatment plant road was re-gravelled.
Vrischgewagd	Roads were re-gravelled around the area.



OPEN FIELDS / SOCCER FIELDS / PARK AREA	
AREA	DESCRIPTION
Brentpark/Phomolong	During September month, a field area was cleared of trees and shrubs for the safety of the community, as the area was a hiding place for the criminals.
Zuma Park (Maokeng)	Field and park areas were graded and cleared for the official opening of the area by the Premier.
Rammolutsi, Maokeng Matlwangtlwang	A number of soccer fields were graded at Jaskrall farm and other areas during the month of October.
Matlwangtlwang	Clearing and grubbing of park and stand areas was done during October month.

MISCELLANEOUS	
AREA	DESCRIPTION
Seeisoville (Maokeng)	A fence was demolished and removed at Seeisoville stadium.
Zuma Park (Maokeng)	Field and park areas were graded and cleared for the official opening of the area by the Premier.
Kroonheuwel (Kroonstad)	Joubert and Voortrekker streets were cleaned.
Marabastad (Maokeng)	A temporary pedestrian bridge was constructed.



CBD (Kroonstad)	The road below the bridge at Piet de Vries street was cleaned and cleared of shrubs and garbage.
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PROJECT MANAGEMENT UNIT

Introduction

This report covers the progress made with regards to the implementation of MIG (Municipal Infrastructure Grant) projects. It also evaluates the different activities which form part of the implementation process, as well as the outcomes and achievements of the programme.

The objective of the evaluation is to determine the efficiency of the implementation process within the required timeframe, to determine the success rate of job creation and skills development and to determine if the final product has fulfilled the needs of the community.

Background

Programme History

Moqhaka Local Municipality utilized the MIG Grants to upgrade, refurbish development and maintain infrastructure for water, electricity, new roads and storm water and cemeteries, install and upgrade basic water, sanitation, roads and storm water, electrical services as well as cemeteries. All projects were identified through the IDP process in which community participation plays a major role. Discussions are held between officials and relevant politicians to prioritise the needs of the communities in the various areas.

Project Concept and Duration of Programme

Moqhaka Local Municipality registered projects at MIG in the following main categories, Water & Sanitation, Roads and Storm water, Public lighting and Cemeteries. Funding obtained was divided to spread expenditure over the period for which funding was received. The various projects had different starting dates and project durations. The design standards for each project depended on the type of project and were done according to the *Guidelines for human settlements, planning and design*, and were clarified with the relevant service providers.

The following projects were done during the 2010/2011 financial year: (1) Moqhaka: Rehabilitation of Several Main Collector Sewers (MIG Allocation – R 1 894 000.00) (2) Moqhaka: Construction of Vehicular Crossings in Maokeng (MIG Allocation - R 3 000 000.00) (3) Moqhaka: Upgrading of Connector Road and Providing Proper Storm Water (MIG Allocation - R 4 030 000.00) (4) Moqhaka: Stilfontein Cemetery: Palisade Fencing and Roads 2 (MIG Allocation - R 8 480 000.00) (5) Moqhaka: The Upgrading of Masimong Street in Constantia (MIG Allocation - R 2 330 011.00) (6) Moqhaka: Lekhotla

Street – Upgrading of Street in Constantia (MIG Allocation - R 3 100 000.00) (7) Moqhaka: Khalane Street – Upgrading of Internal Street in Constantia (MIG Allocation – R 1 140 000.00) (8) Moqhaka: Marabastad – Upgrading of Bus Route and Access Road and Provision of Proper Storm water Drainage in Phomolong (MIG Allocation R 8 400 000.00) (9) Moqhaka: Marabastad – Upgrading of Internal Gravel Roads and Provision of Proper Storm water System (MIG Allocation - R 9 840 000.00 –) (10) Moqhaka: Khalane Street - Provision of Proper Storm Water (MIG Allocation - R 2 428 964.00) (11) Moqhaka: Masimong Street – Provision of Proper Storm Water Drainage (MIG Allocation – R 2 468 179.00) (12) Moqhaka: Lekhotla Street - Provision of Proper Storm Water Drainage (MIG Allocation – R 2 525 298.00).

Amount allocated for the past three years

The following table indicates the allocated amounts and the spending for the past three years:

	2008/09	2009/10	2010/11
Approved budget amount	R 21 655 000.00	R 27 619 000.00	R 32 144 000.00
Spent budget amount	R 21 655 000.00	R 27 619 000.00	R 32 144 000.00
Difference	0	0	0

Moqhaka Local Municipality succeeded to spend the allocated MIG funds in full in January 2011 for the budget year 2010/2011.

Key challenges since onset

Although Moqhaka Local Municipality successfully performed the implementation of MIG projects up to date, the following challenges had to be faced:

- Consultants prepared some MIG registration forms and technical reports to DWA while others were prepared departmentally. The challenge was to submit the registration forms in time and to make the necessary changes to meet the requirements of CoGTA and DWA to whom new registrations are submitted.
- The Supply Chain Management procedures followed for appointment of contractors created a challenge to get contractors on site in time as the relevant procedures are time consuming as there was no supply chain unit. A unit has since been established but delays are still experienced as it is not yet fully functional.

- All the MIG projects are registered on the MIS, MIG 1 to MIG 10 forms, and records of Site Visits and Fund Administration are also captured on the MIS. Problems are sometimes experienced in getting feedback from the MIS System Administrator.
- The provision of training under project funding often presents a challenge due to the fact that the unit rates on which the allocations for projects are based is below the current construction rates. The new unit rates that were implemented are still far below actual construction costs and funding training remains a challenge.
- Lack of experience and commitment from contractors. There seems to be a shortcoming regarding the registration of contractors under the CIDB system as it was found that contractors with high ratings are often found to be unable to do the project due to the above mentioned reasons. To overcome this challenge the selection of contractors has to be done carefully.
- Delays are also experienced on some of the projects due to lack of skills and experience of consultants staff.
- Contractors cash flow. These include not being able to provide surety or obtain the necessary insurances due to a shortage of capital. To overcome this contractors often have to be assisted by allowing them to have the surety deducted from their first certificates. This however creates another problem were contractors run into cash flow problems and are then unable to pay their labour and material and this creates delays in the completion of the project due to the cash flow problems stemming from this
- Due to the same reasons above contractor's request that suppliers be paid by means of direct payment agreements as suppliers don't want to risk providing material to contractors that cannot comply with the new finance act regarding credit. The only way to overcome this is thus to allow the direct payments which in turn leads to the same cash flow problems as in the previous point due to the fact that the contractor now receives a smaller payment.
- Filling up of vacancies in PMU Office
- Counter Funding for MIG funded projects.

Evaluation as per the practice note

Part 1: Progress to date

- **Set up and actions taken**

- Implementation of the approved business plans:

After the business plans have been approved, the consultants are instructed to proceed with the survey and designs as well as the preparation of the contract documentation for the relevant projects. To save time they often do this at risk while final approval of the funds is awaited. The consultants are responsible to implement the projects and act as project leaders, coordinated by officials of the Technical services of Moqhaka Local Municipality.

- Schedules of work and phasing of the activities:

The activities of the projects are phased as follows:

- a) Request for proposals (PSP)
- b) Evaluation and adjudication of BID
- c) Appointment of PSP and signature of agreement
- d) Detail design and documentation
- e) Advertisement of the tenders
- f) Tender report, evaluation and adjudication of tenders
- g) Appointment of contractors
- h) Construction of projects
- i) Retention period (defects liability period)

- Financial management:

The payment certificates of the projects are compiled by the consultants, or by relevant officials from the PMU for projects managed departmentally, and controlled and signed off by Moqhaka Local Municipality technical officials. The final approval for payment is authorized by the Technical Services Manager who is also the PMU manager. Cash flow statements and MIG claims are processed by the PMU office. These are then submitted to the Chief Financial Officer of the Municipality who processes the claims and provides the cheques utilizing the funds that has been transferred from MIG to the municipal account. The Chief Financial Officer manages the funds received from MIG. The MIG spending is monitored by the PMU staff and coordinated with the relevant financial officials of the Municipality.

- Coordination with other stakeholders:

All projects were identified through the IDP process which included community participation and inputs from Councilors. Meetings with CoGTA and the Fezile Dabi District Municipality were held on a BI - Monthly basis, or as and when otherwise required. All prescribed requirements by CoGTA on reporting on MIG projects have been complied with. During the construction period site meetings

took place on a monthly basis, attended by officials, Ward Councilors, consultants, contractors and community liaison officers. Projects are aligned to national targets. For job creation EPWP labour intensive methods, involving communities, are used where projects are implemented.

➤ Risks taken and management thereof:

The following risks were taken and managed:

- a) Dealing with emerging contractors and supervisors was a risk which was managed by training and mentoring.
- b) The appointment of unskilled local labourers was a risk which was managed by training and supervising, normally before construction on the projects commenced or at the beginning of the project when the process in which training was needed commenced.
- c) The financial status of some contractors became a risk during the construction phase and it was managed by maintaining close contact with them and by issuing sessions to the suppliers. This often resulted in other problems as the contractor's cash flow was affected by this and labour was often paid late.

• **Management of the programme**

➤ Institutional arrangements within the department:

The PMU coordinates all MIG, DWA, Human settlements and internal funded projects of Moqhaka Local Municipality. It liaises with the Manager Technical Services, the Assistant Manager, Water & Sanitation, and the Assistant Manager, Roads & Storm water, Acting Assistant Manager Electrical Services and the Manager Community Services. Four consulting firms were appointed and they were responsible for the implementation of some of the projects, coordinated by officials of the Water & Sanitation Division, the Roads & Storm water Division, Electrical Services and Community Services. One project was managed internally by staff from the Technical Services section. The PMU compiles the monthly MIG claims and cash flow statements. Payments received from MIG are paid directly into the account of the Local Municipality and as such the PMU has got no access to the information and the financial section provides this information PMU.

The PMU also manages the claims and financial record keeping of all other projects funded by DWA, Human Settlements as well as internal funded projects. Where funders pay services providers directly the PMU and the relevant sectional head check the claims received from service providers and prepare the documentation to be submitted to the funders.

The PMU team is also responsible for the gathering and capturing of data and the compiling of progress reports for CoGTA.

EPWP reports regarding job creation, age and gender distribution, labour reports and proof of payments of beneficiaries are also compiled by the PMU for submission to Public Works.

➤ Capacities dedicated to the programme:

The diagram on page 11 illustrates the schematic picture of personnel and service providers dedicated to the programme.

➤ Programme support by other units:

As illustrated in the diagram on page 11, the MIG programme is supported by all units involved. As in terms of PMU establishment as approved by Council and Technical Services be implementing MIG projects. The MIG programme was supported by the relevant sub sections being Water and Sanitation, Roads and Storm water, Electrical and Community services. The program was also supported by the Finance Department, through which the payments to the service providers were done. MIG claims were processed first checked by user Department and forwarded to PMU for further processing by the PMU office and were then submitted to the Finance Department for processing.

➤ Capacity building for the staff within the programme:

Initially the PMU activities of Moqhaka Local Municipality were performed by the staff of the Technical Services department but since the establishment of the PMU within the Technical Services section all related functions are being managed by the PMU office. The PMU concentrates on MIG and EPWP activities. Members of the PMU team received EPWP and MIS training, which were further contributions to the capacity building of the staff. Management members of the Technical Services Department were also trained in this regard. However the PMU unit requires being full complimented with staff.

➤ Communication structures within the department:

Communication within the department takes place during meetings held by the various divisions of Moqhaka Local Municipality as well as monthly site meetings on all projects under construction. Other forms of communication are letters, faxes and emails which are distributed by the administrative section. Most officials of Moqhaka Local Municipality believe in an open door policy, which means that communication can take place at any time when the relevant people are available.

➤ Key challenges met within this aspect of the programme:

The key challenge, which originated from the activating of the MIS, has been resolved by obtaining internet access for all the relevant staff. The access to the MIS is however very slow, this could be as a result of restrictions on the municipality's internet service or the MIS site.

Part 2: Monitoring

- **The monitoring approach**

The monitoring of the progress of the MIG projects and the quality control are the responsibility of the municipality and approved consultants or relevant officials where projects are managed departmentally. The consultants are also responsible to collect all the data and their payments will not be processed if the relevant MIG forms and data have not been submitted to Moqhaka Local Municipality. Members of the PMU capture the data into the relevant templates and systems, such as MIS, and compile the required reports and feedback.

- **How data is analyzed and reported for implementation purposes**

The data of completed projects is analyzed to determine unit costs and realistic labour figures and timeframes. The results are used to do forward planning and budgeting of new projects. These results are also used during the implementation of the projects under construction to monitor the progress.

- **How data is analyzed and reported for performance requirements**

The data of projects under construction is analyzed to measure performance. Actual spending is compared with projected cash flow statements. Unit costs are calculated to determine if the projects comply with the prescribed values. Labour and training figures are monitored to determine if the required targets are going to be met regarding job creation and skills development.

- **Who is responsible for data analysis and report generation ?(financial and non-financial reports)**

Both the PMU and the Managers of the various sub sections are responsible for data analysis and report generation. The sub sections report on their progress and performance to the Manager of the Technical Services Department and he then reports back to Council, while the PMU compiles the reports to be submitted to CoGTA from information received from various sections and consultants.

- **Challenges met with the monitoring and reporting tasks**

The challenges which were met regarding monitoring and reporting were the motivating of the consultants and contractors to provide the required data on a monthly basis, the capturing of the data within limited timeframes. Problematic response from the MIS support often creates a problem when it is necessary to have information altered on the system

- **Part 3: What are the results and who benefited? 2010/2011**

The outcomes and outputs set for 2010/11 is the following:

- Basic water and sanitation services were provided and existing services upgraded to the value of the MIG budget to the benefit of the community of the relevant areas. These were mostly previously disadvantaged areas
- Basic roads and storm water services were provided and existing services upgraded to the value of the MIG budget to the benefit of the community of the relevant areas. These were mostly previously disadvantaged areas
- The projects assisted in job creation and skills development according to the requirements set by Government. In some cases job creation was restricted to temporary jobs during construction periods
- **To what extent have these outcomes and outputs contributed to achieving the programme objective(s) or can be expected to do so in the future? Is there a gap between planned and actual outcomes and outputs?**

The main programme objective was to provide access to basic services for the community and the outcomes and outputs of the 2010/2011 projects did contribute in a great extend to achieving the objective.

A total of 4 consultants and 6 contractors were appointed to implement the 2010/11 projects and the actual spending on the MIG projects for the 2010/11 financial year was R 32 144 000.00, counter funding excluded from the municipality. The total MIG allocation of R 32 144 000.00 was spent

Training:

The following indicate the various disciplines in which training was provided under these projects for 2010/11

These were mostly technical orientated accredited and included Basic Business (8 Persons), Kerb laying (5 Persons) Bricklaying (3 Persons) Basic Plumbing (3 Persons) Health and Safety (2 Persons) and Paving (5 Persons).

Local Labour 2010/2011

Local labour from the area in which the project took place was used in all projects to assist the community in the area. Contractors were only allowed to bring in a minimum of specialised workers

Jobs Created

	Persons	Persons Days
Adult Male	109	6535
Adult Woman	31	1080
Youth Male	274	15418

Youth Female	73	4184
Disable	5	328
Total	492	27545

Gaps between planned and actual outcomes and outputs:

The only gaps identified between planned and actual outcomes were the scaling down on some projects as a result of unforeseen additional spending due to matters such as hard rock which had to be blasted and was not identified during the planning phase as the test holes did not indicate this. Unknown existing municipal services that were encountered also played a role in the delays. Planned timeframes were also exceeded in some cases due to similar cases and inclement weather.

- **Have there been unforeseen outcomes and outputs or unforeseen beneficiaries?**

No

- **What were the assumptions and risks monitored during 2010/2011**

The following risks were monitored:

- The dealing with emerging contractors and untrained supervisors.
- The appointment of unskilled local labourers by contractors.
- The financial status of some contractors became a risk during the construction phase thus delaying the projects.
- These works is counter funded from other sectors.

- **Have assumptions/risks affected the project? If yes, how did this affect the programme? If no, how did the programme manage this?**

Yes, the programme was affected by the risks in the sense that some projects were not completed in time, some projects required stricter quality control and some projects resulted in over spending of the budgeted figures. The risks were managed as effective as possible to minimize the effect it might have on the final outcomes of the programme to enable it to be to the benefit of the community.

Conclusions

- **What were the main successes and failures of the project to date? (causes underlying the outcomes and outputs)**

The main successes of the project were the spending of the total MIG allocation on successful projects, the successfully creation of emerging contractors, the successfully implementation of job creation and skills development and the provision or upgrading of basic services to the community.

The main failures of the project were the requirement of stricter quality control in some cases due to the inexperience of contractors, the cutting down of some projects due to over spending and the exceeding of the timeframes in some cases as a result of unforeseen situations.

- **Do the outcomes, outputs, successes and failures justify the costs?**

Yes, the final outcome of the programme reflects the successfully provision and upgrading of basic services for the community.

- **Were the objectives achieved within the specified time & budget?**

No, certain adjustments had to be made due to unforeseen circumstances.

- **Would there be different ways of achieving the same outcome?**

Yes, it depends on the combination of service providers, especially the use of more experienced contractors and consultants.

- **How far have the project activities been embedded in local institutions structures to ensure sustainability or acceptance of the programme within the department?**

The community participates in the planning and implementation of the projects and high priority is given to skills development amongst local people as well as Moqhaka Local Municipality officials, to ensure the acceptance of the programme by local institutions and within the department.

- **Were there any other stakeholders adequately prepared for project activities (technically, financially, etc)?**

No.

- **Should the project be re-oriented and in particular should all activities continue? If not, describe how the project should be re-oriented and summarized, in terms of outcomes, outputs, activities and inputs.**

The project must be re-orientated according to the MIG allocation and the targets set by CoGTA. This means that some activities will have to be limited and other activities be expanded to meet the targets set by Government for the following financial year.

Lesson Learned

- **What lessons can be drawn specifically in relation to the project?(policies, instruments and any other facts deemed necessary for the programme to succeed)**

Consultants must be motivated to keep close contact with the contractors, to give priority to quality and budget control and to identify any problems at an early stage to be able to solve the problems in time so that no or minimum delays are experienced.

Recommendations

- **Programme design**

Projects must be identified in time and sufficient timeframes must be set available for each activity, to ensure proper planning, preparation and implementation.

- **Programme monitoring**

Consultants must be motivated to give high priority to monitoring and to provide accurate project data and feedback, to enable Moqhaka Local Municipality officials to do proper evaluation of the projects during the construction phase.

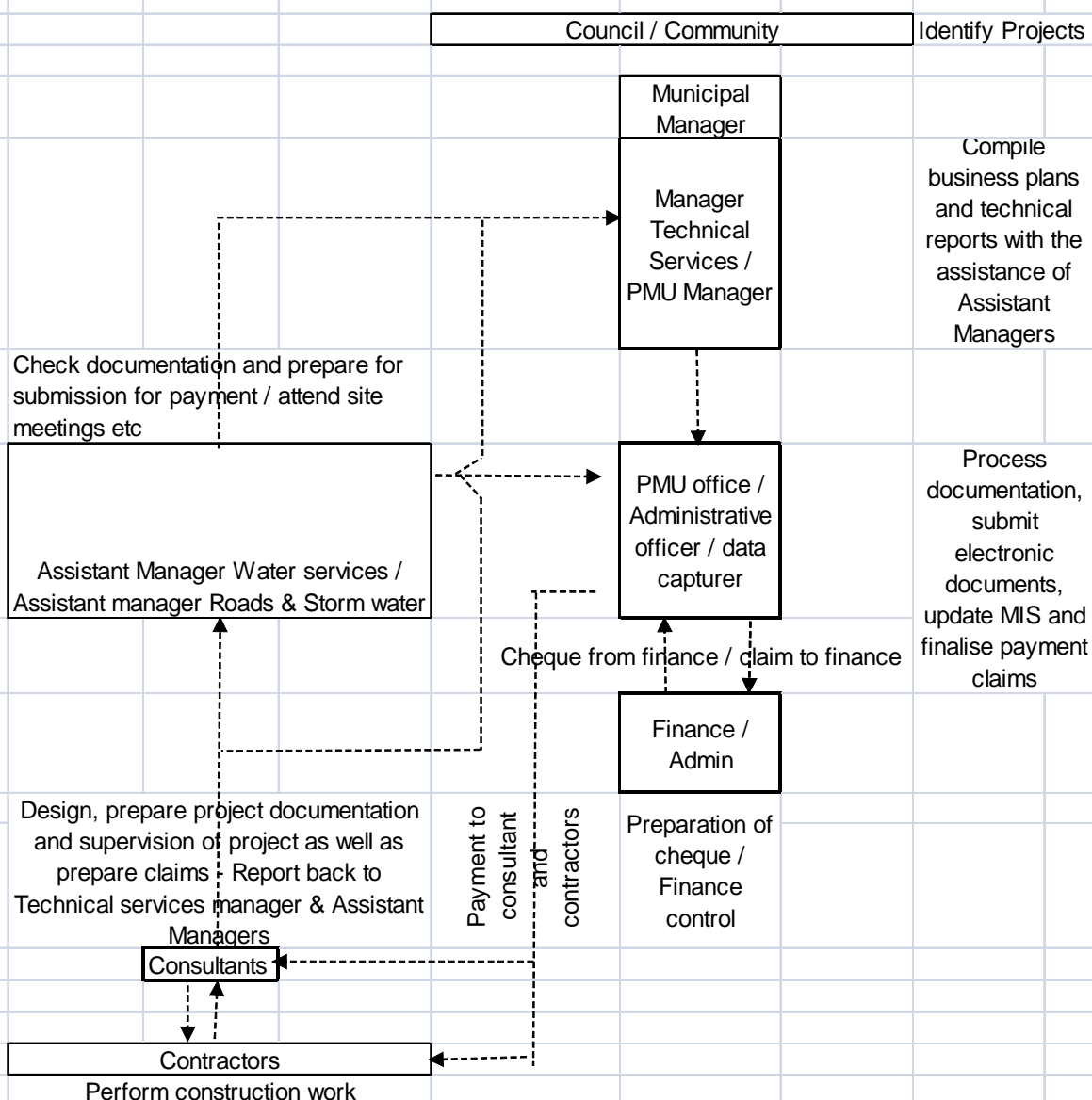
- **Programme management**

Communication to all stakeholders must take place on a regular basis, quality and budget control must be attended to sufficiently and major problems must be identified at an early stage.

- **Any other factors deemed important for programme success**

- Proper planning, budgeting and the starting of the project in time are factors which have a great impact on the implementation and the final outcomes of the project.
- Empowering of consultants and a possible registration system whereby the standard of a consultant can be identified before appointment, something similar to the CIDB registration. Review and update municipal supply chain policy.
- Possible registration of contractors with CoGTA with the same proposal as for consultants as above as the CIDB registration system seems to be flawed as it is often found that despite a high CIDB registration contractors are often not able to meet contractual commitments

Schematic flow of project management process



MECHANICAL WORKSHOP

Core Responsibilities:

- Guiding Policies / Framework :
 - National Traffic Act
 - Asset Management Framework
 - OHSA
- Maintain and service of municipal fleet
- Ensure adherence to the Municipal Transport Policy (vehicle inspections, booking of services etc)
- Ensure roadworthiness of municipal fleet

The Municipality has the following heavy machinery & equipment:

❖ Graders	5
❖ Front loader	5
❖ Tipper truck	7
❖ Front end loader	11
❖ Excavator	1
❖ Trucks	8
❖ Compressors	3
❖ 3 ton trucks	14
❖ Agrico tractor 4x4	1
❖ concrete mixers	3
❖ rollers	3
❖ Cherry pickers	7
❖ Lowbed	1
❖ Water trailer	2
❖ Street broom	1

GRADERS: 1 New grader and 4 older graders from 1985. Due to the year model of the graders this 4 is always in for repairs.

FRONT LOADERS: 4 of the graders are in a good state. The year model of the other one is 1985 and due to this the grader is often in for repairs.

TIPPER TRUCK: All of them are fairly old and need repairs often.

FRONT END LOADERS: 3 New loaders. 5 are in a fairly good state. 3 are in a poor state and needs lots of repairs.

EXCAVATORS: 1 New excavator. In good working order.

TRUCKS: The year models range between 1985 and 1995. They need to be replaced.

COMPRESSORS: The year models is 1987. They are in a fairly good working condition.

3 TON TRUCKS: The year models range between 1990 and 1994.

AGRICULTURAL TRACTOR 4 X 4: The year model is 1989 and need to be replaced.

CONCRETE MIXERS: They are old and need to be replaced. Year model 1990.

ROLLERS: Year model 1974-1 Iron wheel roller. 1 Grit roller also need to be replaced.

1 Stone roller also need to be replaced.

CHERRY PICKERS: All of them need to be replaced.

LOWBED: Year model 1988. Cannot do the work anymore. Need to be replaced.

WATER TRAILERS: Year model 1975. Old and need to be replaced.

STREET BROOM: Need to be replaced. Year model 1965.

Challenges :

- 80% of the fleet are 40 – 45 years old. Due to the cost for repairs and maintenance replacement is required;
- Shortage of qualified staff;
- Process time of orders;
- Insufficient funds;
- Standing time of vehicles;
- Shortage of equipment and specialized tools.

The Municipality has the following light duty vehicles:

❖ Sedan	16
❖ Ldv	87
❖ Tractors	33
❖ Trailers	49
❖ Motor bikes	2
❖ Mustang loader	1

SEDAN: The vehicles are in a fairly good shape.

LDV: 70 % of this vehicles need to be replaced. Year models range between 1989 and 2010.

TRACTORS: They are in a good working order. 5 of them need to be replaced.

TRAILORS: They are very old and need to be replaced. Year models are 1975.

MOTOR BIKES: They are in a running order.

MUSTANG LOADER: In a good condition.

The following vehicles are ABSA lease vehicles:

❖ Tipper		2
❖ dump truck		4
❖ l.d.v. 1ton	13	
❖ 4.ton truck		1

Moqhaka Municipality has a fleet of 260 vehicles and 20 vehicles that is on lease from ABSA.

Workshop repairs:

- Running repairs: 1774 hours
- Mayor repairs: 1981 hours
- Services: 118 hours

WATER SERVICES

Maintenance and operations:

Water - Supply and Purification:

Storage:

During the past year our main sources of supply of raw water was sufficient for the Kroonstad area. Good rains started during the latter half of 2010 and continued well into 2011, enabling us to transfer water to Bloemhoek dam and together with good rain in the catchment we were able to get Bloemhoek to maximum capacity of 100% for the first time in many years. Unfortunately the wave effect during strong wind conditions on the dam results in some water washing over the spillway leaving the level at $\pm 98\%$. Since then we were only using water from the river and it was never necessary to release water from Bloemhoek for the reporting year. Design estimates indicated that the Bloemhoekdam would be able to support the town for ± 3 years without rains, but the figures did not make provision for the almost 4000 new stands in Maokeng that has been added over the last couple of years and the new extensions currently under development that are provided with water borne sewers as well. As future rainfall cannot be guaranteed the water restriction had to remain in place to ensure a constant water supply to the area.

The Morgenzon storage dam in Steynsrus that was washed away during 2010 was rebuild and the good rain filled the dam to capacity. During March 2011 we experienced a cloudburst in the catchment area of the dam where some farmers recorded as much as 110mm within an hour. This resulted in the newly reconstructed Morgenzon dam overtopping again eroding the dam wall away. A contractor was appointed and reconstruction commenced as soon as the site was accessible. After the pump station that was covered with sand after the flood and the pipes were cleared from sand be immediately started to transfer water to the dam although construction was still under way. It was unfortunate that there was a period during this time that the remaining water level in the dam was such that we could not extract water for purification. The raw water transfer line from the dam to town remains a problem as it tends to bursts often. Apart from this the ESCOM power supply to the pump stations is unreliable due to weather conditions and often causes the pumps to stand so we are unable to transfer water to town.

The Renoster river which is the main water source for Viljoenskroon also reached its maximum capacity during the rains that fell during the beginning of 2010. We were in a position that we were not required to transfer water from the Vaal River during this period. The fast expanding Rammulotsi where we are in the process of developing the last 2000 of an additional 4000 stand will require that the water supply to the Viljoenskroon area be increased either by increasing the water treatment plant of augmenting the supply form an external source. The possibility of obtaining water from Midvaal water board is currently under investigation as they intend installing a pipeline to Vierfontein. This pipeline could possibly be extended further to also supply Viljoenskroon.

Purification:

There were no external funds available for upgrading the treatment plants in the three towns and repairs and replacements could only be done from our own funds. In Kroonstad the low lift pump station remained a critical component where continues maintenance is required. The No 2 low lift pump was also provided with a new motor and alterations were made to the pump station to reinforce the supporting steel structure. During the reporting period we were allocated the amount of R6.6m to rehabilitate the Kroonstad water treatment plant and the planning and design phase of the project has commenced. As a result of the the funding allocated by MIG will now be split to attend to the rehabilitation of the Viljoenskroon and Steynsrus water treatment works. DWA also appointed Sedibeng water to assist Moqhaka during this period with water quality analysis to enable us to increase our Blue Drop score. DWA also provided some laboratory equipment to enable on site routine testing of the water.

Some of the equipment at the Viljoenskroon water treatment works was refurbished from the MIG grant and as stated in the previous paragraph the rest will be attended to under a project funded by MIG. A consultant to mange the project has already been appointed and the preparation of document is in an advanced stage.

Several problems were experienced during the reporting period, most mechanical related problems could be resolved fairly quickly. The appointment of permanent, suitable qualified staff was also attended to. This resulted in less problems at the plants. Despite all efforts to ensure uninterrupted water supply to the communities served by the Water Services section some disruptions were experienced where alternative measures had to be taken to provide water to the communities.

Although our score during the evaluation for the Blue Drop system was low due to several factors our water quality remained within SANS 0421:2006 specifications. Not having a Blue Drop award does not mean that the water quality is below standard as there are various criteria that needs to be complied with before an award can be obtained. This include factors such as the qualifications of your operators and their DWA grading, the use of an accredited lab, where the assistance of Sedibeng water came in, for the analysis of your water. The amount of samples that are taken in relation to your population has been corrected and should reflect in our next evaluation. Further more it looks at the registration and condition of your treatment plants as well as operation and maintenance manuals that are available. A consultant appointed by DWA is assisting in the compilation of operation and maintenance manuals for Kroonstad to combine the existing single processes and equipment manuals to be all inclusive.

We are already busy compiling documentation to the format required by DWA by consolidation of our existing documentation. Although we did not enter for evaluation DWA did evaluate us to enable them to assist us in identifying our shortcomings to qualify for the Blue Drop award. The operator issue remains critical as almost all our operators will need to undergo further training to be classified by DWA. They all have experience but according to the new system they will be interviewed for recognition of prior learning and then be given additional training to comply with the new regulations. This however still remains outstanding.

The new regulations also prescribe the number of operators that would be needed on each plant according to the plants capacity and this would required a revisit of our organizational structure and this is currently in process for the whole municipality.

In Viljoenskroon ± 119 972 800 Kiloliter of potable water was supplied to the community while in Steynsrus the volume supplied was ± 750 400 Kiloliter. The figures for Kroonstad are as indicated below:

Water to Distribution		
Month:	09/10	10/11
Jul	863.510	976.795
Aug	773.153	1135.046
Sep	754.333	1070.867
Oct	785.546	1062.680
Nov	771.852	1260.536
Dec	968.382	1073.167
Jan	997.524	1286.797
Feb	785.286	850.945
Mar	876.250	896.165
Apr	891.317	982.829
May	955.794	1109.607
Jun	867.630	933.621
	10290.577	12639.054

Figures in Mega liters

NOTE:

Networks:

Maintenance:

Item description

2010/2011

Small bore pipes repaired (15mm - 63mm)

784

Large bore pipes repaired (Above 63mm)

667

New water meters installed

2150

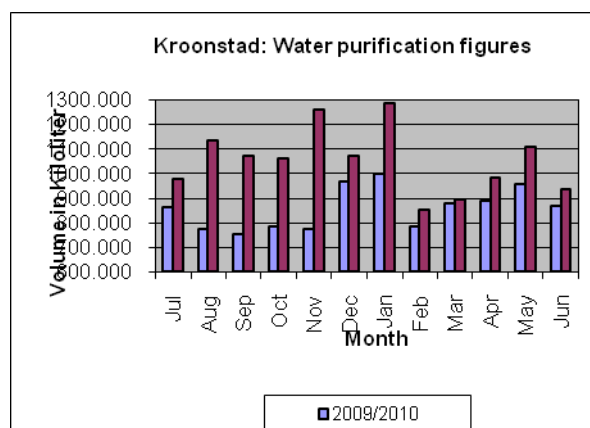
Water meters repaired / replaced

895

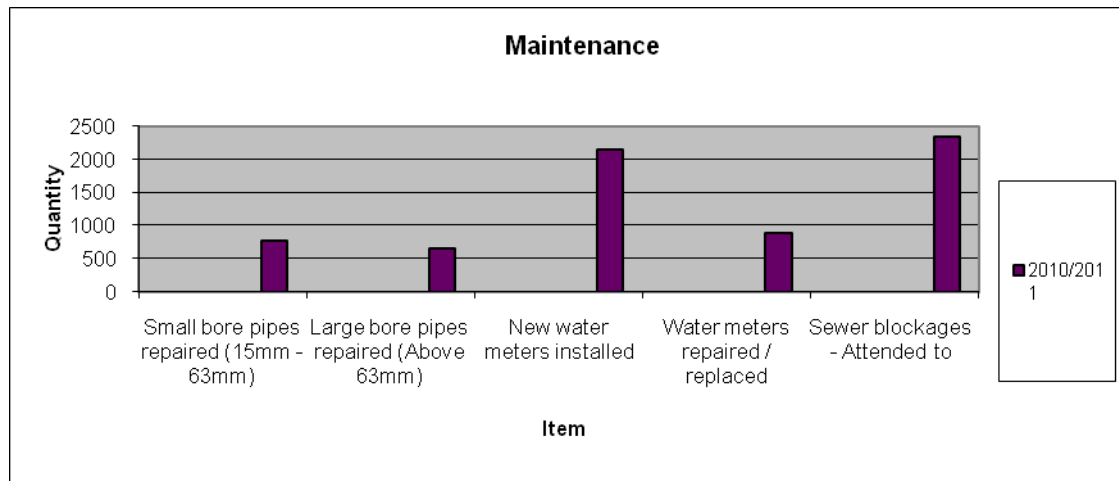
Sewer blockages - Attended to

2346

Includes
meter for
Northleigh
phase I



Note: Previous years figures were based on reported figure and it was identified that the same complaint was often reported by more than one person. This year figures are based on complaints attended to according to the records. Some work was reported at call centre as well as water services section and as such was duplicated.



Sewage Treatment Works:

Both the sewer treatment plants in Kroonstad and Viljoenskroon were rehabilitated from funding received from DWA (ACIP funding). Several critical components were replaced and the digesters and settling tanks were cleaned out. Safety issues were also attended to under the project. Unfortunately we had breakdowns on some of the equipment soon after the completion of the project and these are being attended to at the moment. As a result of the equipment failures the quality of the final effluent is not yet meeting SANS 241:2006 standards, once the repairs to the broken equipment is completed we should be in a position to improve our effluent quality. Lack of experience and knowledge of operators is still a problem which can affect the effluent quality. Site maintenance proved to be problematic over the past year due to lack of equipment, funding and staff that passed away leaving unfilled vacancies.

In Steynsrus Matlwangtlwang the new oxidation ponds have been commissioned to cope with the inflow from the VIP's in Matlwangtlwang that were converted to waterborne sewers but currently cannot cope with the inflow.. The new oxidation pond system is still lacking certain components for which funds was made available for the 2010-2011 financial year and consultants were already appointed to proceed with the design items. These include items such as an inlet screen, grit removal channels and repairs to the ponds that were damaged as a result of the high rainfall we had during the year. A sludge removal pump and sludge drying beds for removal and treatment of sludge from the inlet pond will still need to be constructed together with the necessary extensions to the oxidation ponds to accommodate the total outflow from Steynsrus /Matlwangtlwang. Following this a trickling filter will have to be added together with a chlorination system to treat water before releasing it back into the environment. The amount of R 2 405 063.98 made available by DWA is only sufficient to do the screenings and

grit removal channels as well as to repair the damage to the ponds experienced during the January 2010 floods. In Viljoenskroon refurbishment of the plant has been completed and several components were repaired or replaced and the plant is currently working at full capacity, apart from the inlet screen that has broken down and was sent away for repairs. A standby generator to counter the spillage effect during power disruptions from ESCOM is part of the project and is on site. Repairs, maintenance and replacement of some of the existing equipment was also done during the past year although funding shortages often resulted in delays in completing the work

Sewage Pump stations:

Several serious problems were encountered during the reporting year, most of these could be attended to and provision was made for the upgrading of some of the pumps which are becoming uneconomical to repair. At Smaldeel pump station in Gelukwaarts we are still experiencing failures due to the pumps being blocked by the ingress of rags and foreign objects, tests are currently being done with new types of pumps to try and eliminate this problem and new switchgear has already been installed. The switchgear panels of some remaining pump stations are also fast reaching the end of their lifespan and several will have to be replaced during the next year. Most of the damage to pumps that resulted in spillages were due to foreign objects entering the pumps and resulting in breakdowns. There is still a shortage of shift workers to man all the pump stations and vacancies have already been identified and should be filled during the next year. C pump station was totally vandalised and the equipment stolen, this included the cabling to the pump station. We have managed to secure new equipment for the pump station but refurbishment was again delayed due to further vandalizing of the newly installed cable and the building.

Sewer blockages:

Several major sewer blockages occurred during the year, most of which are re-occurring blockages. These being the Gelukwaarts line, where a contractor was appointed to do some repairs and provide lockable manholes, the line behind LTA adjacent to the refuse dumping site, and upstream of the Constantia sewer pump station as well as the one adjacent to the Seeisoville stadium. The line behind the Seeisoville stadium was rebuilt during the 07/08 financial year but since commissioning we had several blockages on the same line due to stones and foreign objects being thrown into the manholes. We employed the services of a company with a high power vacuum / blasting jet machine to unblock several problematic lines. In some cases it was necessary to call them back after a week or 2 to unblock the same lines again. This is the result of foreign objects that are being introduced into the sewer lines. This problem will remain until such time that a health and hygiene training program to enlighten the community as to what should go into a sewer and what not. Most of the cases of sewer blockages are as a result of these objects and not due to poor condition of the sewer networks.



foreign objects removed from a sewer



Work in progress on 450 mm outfall sewer behind Pro Bou

During the floods experienced in January 2010 we had some serious cases of damage to sewer network infrastructure. The 450 mm dia line behind Pro Bou was provided with gabions to prevent further erosion of the embankment and the collapsed line replaced will be replaced with a uPVC line. Approximately 90m will be replaced under the project. Funding was provided from own sources. Another problem that is currently receiving serious attention is the replacement and re-routing of a section of sewer line at the corner of Orpen and Wilcock streets a consultant was appointed and a survey and designs were done. Prices are being requested as a matter of urgency to attend to this problem. This line is a collector line from the Wilgenhof area and spillage from it enters the section of the river from which we abstract water for purification. Funding is also required to complete this project as all attempts to rectify the problem has been unsuccessful. The line in Gelukwaarts / Nyakallong that is a big cause for concern due to vandals throwing stones into the manholes is currently being attended to with funds which were obtained from MIG. This entails the cleaning of the line and fitting lockable manholes to try and resolve the problem. There are several other lines where we experience the same problems on an almost daily basis. A consultant was appointed to investigate and attend to some of these problems but the funding obtained from MIG is hardly enough to complete the investigation so minimal repair / replacement of pipe will be done from these funds and additional funds will be required.

We are currently making use of a private contractor to try and resolve all critical sewer blockages. He makes use of a high powered sewer jetting / vacuuming machine that loosens the debris from the line and then he can vacuum it out and cart the waste away for safe disposal. His assistance is used on a regular basis in the Marabastad area where road contractors often damage our sewers and community members throw paving bricks into the manholes.

In Viljoenskroon we are also experiencing problems with sewer blockages that are caused by foreign objects in the lines. This causes damage to our sewer cleaning equipment and pumps. The services of the same contractor from Kroonstad was employed to assist in clearing problematic sewer lines as well as cleaning sewage pump station sumps to prevent damage to our pumps.

PROJECTS:

The following Water & Sanitation projects were implemented during the 2010/2011

1. INSTALLATION OF WATERBORNE SEWER IN NORTHLEIGH (PHASE I) - RAMMULOTSI

MIG/FS/0644/S/08/11

Funding allocated

R 20 608 000-00

Consultant: Jamela Consulting
Engineering and Project
Management

Contractor Big Bravo Contractors

The first phase of the project was completed and the second phase is in progress.

2. UPGRADING AND REHABILITATION OF SEWAGE TREATMENT WORKS IN KROONSTAD & VILJOENSKROON

DWA

Funding allocated

R 8 776 000.00

Consultant: Departmental

Contractor Various service providers

The project funded from DWA ACIP funding was completed.

3. INSTALLATION OF SCREEN AND GRIT CHANNELS AT MATLWANGTLWANG OXIDATION PONS

DWA

Funding allocated

R 2,405,063.98

Consultant: MDC Consultants (PTY)
LTD

Contractor JPS

This project will provide screens, grit removal channels and repairs of flood damage to the system

4. REHABILITATION OF KROONSTAD, VILJOENSKROON AND STEYNSRUS WATER TREATMENT WORKS

MIG/FS0762/W/09/11

Funding allocated

R 8 218 341.28

Consultant: Dombo & Du Plessis

Contractor: To be appointed

The scope of this project was changed to cover only Viljoenskroon and Steynsrus

5. INSTALLATION OF WET SERVICES IN NORTHLEIGH (BULK WATER INFRASTRUCTURE)**MIG/FS0644/S/08/11**

Consultant: Deep Rooted

Funding allocated

R 20 608 000-00

Contractor Mashinini Contractors

The first phase of the project was completed and the second phase is in progress.

6. REHABILITATION OF PROBLEM SEWER IN MAOKENG / KROONSTAD AREA**MIG/FS0644/S/08/11**

Consultant: G & C Consulting

Funding allocated

Contractor Snowball Construction

This project is intended to try and resolve the re-occurring problems with deliberate blockages by clearing the line and providing lockable manhole covers. We had to intervene in the project to speed up completion. The project is still not completed.

7. RECONSTRUCTION OF STEYNSRUS (MORGENZON) DAM (Second rebuild)**Internal Funding**

Consultant: Departmental

Funding allocated

R 1,208,400

Contractor Mashinini contractors

This project was for the rebuilding of the storage dam at Steynsrus after it was washed away during the flooding in April 2011

AUDITOR'S REPORT OF THE AUDITOR-GENERAL TO THE FREE STATE LEGISLATURE AND THE COUNCIL ON THE MOQHAKA LOCAL MUNICIPALITY

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I was engaged to audit the accompanying financial statements of the Moqhaka Local Municipality, which comprise the statement of financial position as at 30 June 2011, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages xx to xx.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and in the manner required by the Local Government: Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2010 (Act No. 1 of 2010) (DoRA) and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. As required by section 188 of the Constitution of South Africa, 1996 (Act No. 108 of 1996), section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with the International Standards on Auditing and *General Notice 1111 of 2010* issued in *Government Gazette 33872 of 15 December 2010*. Because of the matters described in the basis for disclaimer of opinion paragraphs. However, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion

Basis for disclaimer of opinion

Property, plant and equipment

4. Despite attempting alternative procedures, I was unable to obtain sufficient appropriate audit evidence to confirm the completeness, existence and valuation of and the rights to property, plant and equipment amounting to R1 144 079 112 (2010: R1 124 298 299) as disclosed in note 12 to the financial statements, due to the following:
 - a) The fixed asset register of the municipality was reconstructed during the prior financial year. Engineering experts were appointed to determine fair values for the infrastructure assets as an acceptable substitute for historical cost in terms of GRAP Directive 7. This entailed the use of various technical engineering assumptions and judgments. I was unable to obtain sufficient appropriate audit evidence as to the consistent application of the expert's methodology due to a lack of appropriate documentation. This led to significant unresolved uncertainties around the reasonability and reliability of the valuations performed on infrastructure assets.
 - b) Immovable properties which were identified as municipal properties on the valuation roll were not included in the fixed asset register. In the absence of an updated property

valuation roll for the municipality, I was unable to determine the extent of the misstatement in the disclosed property, plant and equipment balance in the financial statements.

- c) The fixed asset register did not contain adequate descriptions, unique identification and locations to physically confirm the completeness and existence of property, plant and equipment. Unique identification was not allocated to all asset components in the asset register, assets with a book value of R65 942 883 were identified with no unique identification number and asset items to the amount of R3 596 020 with duplicated unique identification codes. Consequently, I was unable to perform all the procedures I considered necessary to obtain adequate audit assurance as to the existence, valuation, completeness and the municipality's rights to property, plant and equipment amounting to R69 538 904.
- d) Paragraph 61 of the SA Standard of GRAP 17, *Property, plant and equipment* requires that residual values and useful life of an asset be reviewed at each reporting date. Proof could not be obtained that the residual values and the useful lives of assets were reviewed at reporting date. Consequently, I could not obtain adequate audit assurance as to the valuation of the municipality's property, plant and equipment as disclosed in note 12 to the financial statements.
- e) Paragraph 19 of the SA Standard of GRAP 26, *Impairment of cash-generating assets* requires that property, plant and equipment should be assessed for impairment at each reporting date. Management did not assess whether there was a decrease in the value of property, plant and equipment during the financial year under review. Consequently, I could not obtain adequate audit assurance as to the valuation of the municipality's property, plant and equipment.

Consumer receivables from exchange transactions

- 5. I was unable to obtain sufficient appropriate audit evidence as to the existence of consumer receivables amounting to R54 915 833 (2010: R55 678 645) as disclosed in note 4 (gross balances) to the financial statements, as I could not obtain evidence that subsequent payments were made by consumers after year-end or that consumers had service contracts, indigent applications or payment arrangements applications.
- 6. Several instances of shortcomings were noted within the municipality's system regarding the completion, verification, approval and filing of indigent applications, consequently, I could not verify the status of these consumer debtors as indigent and there were also no satisfactory alternative audit procedures I could perform to confirm the status of these debtors as indigent.

Expenditure

- 7. The occurrence, completeness and accuracy of depreciation amounting to R49 656 737 (2010: R47 919 697) as disclosed in the statement of financial performance could not be confirmed due to the limitations experienced regarding the valuation of property, plant and equipment. The municipality's records did not permit the application of alternative procedures.
- 8. The municipality did not provide me with sufficient appropriate audit evidence to confirm the accuracy and occurrence of expenditure transactions of R2 272 337 (2010: R3 244 094) as disclosed in the statement of financial performance. The system of control over the recording and classification of expense transactions was not adequate and as a

result there were no satisfactory alternative audit procedures that I could perform to obtain reasonable assurance that all these expense transactions occurred, accurately recorded and correctly classified in the financial records of the municipality.

Revenue

9. I could not obtain sufficient appropriate audit evidence regarding the occurrence and accuracy of rental income of R1 952 150 and admittance fees to the amount of R515 489 received during the year under review due to municipality not submitting the supporting documents. The municipality's inadequate record keeping did not permit the application of alternative procedures.

Irregular expenditure

10. During the audit, several instances were noted where the municipality did not comply with the requirements outlined in the Municipal Supply Chain Management Regulations. Based on our assessment, irregular expenditure is understated with at least R13 858 034. However due to limitations placed on my audit of expenditure, I was also unable to confirm the completeness of the disclosure made in note 48 to the financial statements.

Investment property

11. I was unable to obtain sufficient appropriate audit evidence to confirm the valuation of investment property amounting to R18 686 168 (2010: R18 804 628), as disclosed in the statement of financial position. I was unable to confirm the assumptions used by the expert regarding the cost, original purchase date of the property and the remaining useful lives of the property.
12. Paragraph 18 of the Statement of Generally Recognised Accounting Practise, GRAP 16: *Investment Property* (GRAP 16), states that investment property shall be recognised as an asset when it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity and the cost or fair value of the investment property can be measured reliably. Investment property is understated due to municipal properties to the amount of R4 409 147, which are included in the valuation roll as municipal properties, not being included in the investment property register. Due to the lack of sufficient appropriate audit evidence it was impracticable to determine the total extend of this understatement and subsequently I was unable to confirm the completeness of investment property.
13. Management could not provide me with the title deeds to support the investment properties of R3 470 908 included in the investment property register. In the absence of these title deeds, I was unable to confirm the rights of ownership in respect of these investment properties.

Disclaimer of opinion

14. Because of the significance of the matters described in the Basis for disclaimer of opinion paragraphs, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on these financial statements.

Emphasis of matters

15. I draw attention to the matters below. My opinion is not modified in respect of these matters:

Restatement of corresponding figures

16. As disclosed in note 43 to the financial statements, the corresponding figures for 30 June 2010 have been restated as a result of correcting prior year audit findings during the current financial year in the financial statements of Moqhaka Local Municipality at, and for the year ended, 30 June 2010.

Going concern

17. As disclosed in note 45 to the financial statements, the ability of the municipality to continue as a going concern is dependent on a number of factors, including the need to obtain funding on a continuous basis.

Unauthorised, irregular and fruitless and wasteful expenditure

18. As disclosed in note 50 to the financial statements, the municipality incurred unauthorised expenditure of R32 132 650 (2010: R62 752 493) during the year under review as a result of exceeding the limits of the different votes in the approved budget.
19. As disclosed in note 49 to the financial statements, the municipality incurred fruitless and wasteful expenditure of R28 043 473 (2010: R21 444 126) during the year under review due to the municipality's inability to pay their creditors and obligations on time.
20. As disclosed in note 48 to the financial statements, the municipality incurred irregular expenditure of R88 698 826 (2010: R40 977 590) during the year under review due to inadequate procurement processes followed.

Material losses/impairment

21. As disclosed in note 47 to the financial statements, material losses to the amount of R43 537 967 (30 June 2010: R31 282 250) were incurred as a result of losses on water and electricity distribution.
22. A significant provision for impairment of receivables was created which constitutes 81% (R206 400 287/R254 067 694) of the total trade receivable balance (Note 4 to the financial statements).

Additional matters

I draw attention to the matters below. My opinion is not modified in respect of these matters:

Material inconsistencies in other information included in the annual report

23. I have not obtained the other information included in the annual report and have not been able to identify any material inconsistencies in the financial statements.

Unaudited supplementary schedule

24. The supplementary information set out on page 72 onwards does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the PAA and in terms of *General Notice 1111 of 2010* issued in *Government Gazette 33872 of 15 December 2010*, I include below my findings on the annual performance report as set out on pages XX to XX and material non-compliance with laws and regulations applicable to the municipality.

Predetermined objectives

25. We could not conduct the audit on performance against predetermined objectives as the municipality did not submit the annual performance report as required by section 46(1) of the Municipal Systems Act (Act No. 32 of 2000).

Compliance with laws and regulations

Strategic planning and performance management

26. The municipality did not implement a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role players as required by sections 38, 39, 40 and 41 of the Municipal Systems Act and Municipal Planning and Performance Management Regulations 7 and 8.

Budgets

27. The municipality incurred expenditure in excess of the limits of the amounts provided for in the votes in the approved budget, in contravention of section 15 of the Municipal Finance Management Act.
28. The monthly budget statements, mid-year budget and performance assessment report were not placed on the municipality's website, in contravention of the municipal budget and reporting regulations.
29. The municipality's budget implementation plan was not approved within 28 days of the approval of the budget as required by section 53(c)(ii) of the Municipal Finance Management Act.

Annual financial statements

30. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements identified by the auditors were subsequently corrected, but the uncorrected material misstatements resulted in the financial statements receiving a disclaimer audit opinion.
31. No annual performance report was submitted for audit purposes as required by section 46 of the Municipal Systems Act.

Audit committees

32. The audit committee did not effectively discharge its mandated as required by section 166(2) of the Municipal Finance Management Act.
33. The municipality did not appoint and budget for a performance audit committee, nor was another audit committee utilised as the performance audit committee as required by Municipal Planning and Performance Management Regulation 14.

Internal audit

34. The internal audit unit did not function as required by section 165(2) of the Municipal Finance Management Act, in that:
 - Internal audit did not advise the accounting officer on matters relating to internal audit, internal controls, accounting procedures and practices and loss control.

35. The municipality did not develop and implement mechanisms, systems and processes for auditing the results of performance measurement as part of its internal audit processes as required by section 45(1)(a) of the Municipal Systems Act and Municipal Planning and Performance Management Regulation 14.
36. The internal auditors of the municipality did not audit the performance measurements on a continuous basis and did not submit quarterly reports on their audits to the municipal manager as required by Municipal Planning and Performance Management Regulation 14

Human resource management and compensation

37. Senior managers directly accountable to the municipal manager did not sign annual performance agreements for the year under review, as required by sections 57(1)(b) and 57(2)(a) of the Municipal Systems Act.

Expenditure management

38. Money owing by the municipality was not always paid within 30 days of receiving an invoice or statement, as required by section 65(2)(e) of the Municipal Finance Management Act.
39. The accounting officer did not take reasonable steps to prevent unauthorised, irregular expenditure and fruitless and wasteful expenditure, as required by section 62(1)(d) of the Municipal Finance Management Act.
40. The municipality did not recover unauthorised, irregular or fruitless and wasteful expenditure from the liable person, as required by section 32(2) of the Municipal Finance Management Act.

Procurement and contract management

41. The prospective providers list for procuring goods and services through quotations was not updated at least quarterly to include new suppliers that qualify for listing and prospective providers were not invited to apply for such listing at least once a year as per the requirements of SCM regulation 14(1)(a)(ii) and 14(2).
42. Quotations were accepted from prospective providers who are not on the list of accredited prospective providers and do not meet the listing requirements prescribed by the SCM policy and is in contravention of SCM regulation 16(b) and 17(b).
43. Goods and services with a transaction value of between R10 000 and R200 000 were procured without obtaining written price quotations from at least three different prospective providers as per the requirements of SCM regulation 17(a) & (c).
44. The performance of contractors or providers was not monitored on a monthly basis as required by section 116(2)(b) of the MFMA.

INTERNAL CONTROL

45. In accordance with the PAA and in terms of General notice 1111 of 2010, issued in *Government Gazette 33872 of 15 December 2010*, I considered internal control relevant to my audit, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the significant deficiencies that resulted in the basis for disclaimer of opinion, the findings arising from the audit of the annual performance report and the findings arising from the of compliance with laws and regulations included in this report.

Leadership

46. The accounting officer did establish control measures in order to carry out his oversight responsibility. However the control measures established were not sufficient in order to fully comply with the oversight responsibility regarding financial and performance reporting, compliance with laws and regulations and internal control. Leadership culture of ethical business practices was not fully embedded throughout the municipality to prevent non-compliance with laws and regulations which resulted in a number of instances of irregular and fruitless expenditure.

Financial and performance management

47. Management and staff did not fulfil all their duties and responsibilities pertaining to financial and performance management due to lack of controls over daily and monthly processing and reconciling of transactions. Internal controls were not appropriate to facilitate the preparation of accurate financial statements and performance reports hence financial statements were materially adjusted due to audit findings.

Governance

48. The municipality did not identify risks relating to the achievement of financial and performance reporting objectives. The audit committee did not effectively discharge its mandate during the year under review. Ongoing monitoring and supervision was not undertaken to enable an assessment of the effectiveness of internal control over financial and performance reporting.

Auditor-General

Bloemfontein

30 November 2011



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence



Moghaka Local Municipality
Annual Financial Statements
for the year ended 30 June 2011

The Auditor General: Free State
Issued 31 August 2011

Moqhaka Local Municipality

(Municipal demarcation code FS201)

Annual Financial Statements for the year ended 30 June 2011

General Information

Legal form of entity	An organ of state within the local sphere of government exercising legislative and executive authority.
Nature of business and principal activities	Providing municipal services and maintaining the best interests of the local community, mainly in the Moqhaka area.
Mayoral committee	
Executive Mayor	Mohapi, MJ
Speaker	Nakedi, ACWD
Council Whip	Mareka, J
Members of the mayoral committee	Colbert, DPC Koloï, MA Machobane, ML Makau, TL Matshedisho, DA Mokodutlo, NP Mokoena, S Mokotla, ME Moletsane, ER Thipane, MP
Grading of local authority	The Moqhaka Municipality is a grade 4 Local Authority in terms of item IV of Government Notice R999 of 2 October 2001, published in terms of the Remuneration of Public Office Bearers Act, 1998.
Accounting Officer	Mqwathi, MS
Chief Finance Officer (CFO)	Mokoena, MP (since 1 September 2010)
Registered office	Municipal Offices Hill Street Kroonstad 9499
Business address	Municipal Offices Hill Street Kroonstad 9499
Postal address	PO Box 302 Kroonstad 9500
Auditors	The Auditor General: Free State

Moqhaka Local Municipality

(Municipal demarcation code FS201)

Annual Financial Statements for the year ended 30 June 2011

General Information

Members of Council

Colbert, DPC
Dalton, CM
Dire, AMS
Green, MM
Hattingh, JM
Kgang, LD
Letsabo, MJ
Koloi, MA
Letsitsa, ME
Lithupa, MJ
Machobane, ML
Magadlela, ZS
Mahasa, LP
Makau, TL
Masuret, A
Mbono, MD
Makoele, WL
Mkhotheni, NW
Mkhwanazi, TM
Kubheka, DM
Malokotsa, SV
Mofokeng, MJ
Mareka, J
Mokodutlo, NP
Mokotla, ME
Monoto, MA
Notsi, EM
Pittaway, M
Matshedisho, DA
Moeketsi, DA
Mohapi, MJ
Mokoena, S
Shahim, DM
Moletsane, ER
Taje, FM
Nakedi, ACWD
Tladi, SB
Ntsala, TM
Viljoen, AH
Nzunga, DN
Rajuili, EV
Rooskrans, B
Seleke, LM
Selikoe, NM
Sethabela, MJ
Silevu, JS
Thajane, MI
Thipane, MP
Vermeulen, M
Wille, GV

Moqhaka Local Municipality

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Annual Financial Statements for the year ended 30 June 2011

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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Moqhaka Local Municipality

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
SCM	Supply Chain Management

In terms of Section 126(1) of the Municipal Finance Management Act, I am responsible for the presentation of these annual financial statements set out on pages 5 to 72, which have been prepared on the going concern basis, and approved by the accounting officer on 31 August 2011 and were signed on its behalf below.

I certify that the salaries, allowances and benefits of councillors as disclosed in note 31 of these annual financial statements, are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Mqwathi, MS
Municipal Manager

Moqhaka Local Municipality

(Municipal demarcation code FS201)

Annual Financial Statements for the year ended 30 June 2011

Statement of Financial Position

Figures in Rand	Note(s)	2011	Restated R
Assets			
Current Assets			
Cash and cash equivalents	3	4 629 165	4 737 941
Receivables from exchange transactions	4	47 667 407	54 480 976
Inventories	5	4 455 531	3 601 578
Investments	6	317 939	184 545
Receivables from operating leases	7	71 674	90 524
Other receivables from non-exchange transactions	8	1 464 101	2 168 570
VAT receivable	9	12 506 446	7 180 820
		71 112 263	72 444 954
Non-Current Assets			
Intangible assets	10	1 613 997	1 930 345
Investment property	11	18 686 168	18 804 628
Investments	6	-	115 064
Property, plant and equipment	12	1 144 079 112	1 124 298 299
		1 164 379 277	1 145 148 336
Total Assets		1 235 491 540	1 217 593 290
Liabilities			
Current Liabilities			
Consumer deposits	13	7 706 534	7 237 055
Employee benefits	14	12 851 500	9 559 407
Finance lease obligation	15	6 443 528	5 786 218
Other financial liabilities	16	23 911 230	20 359 028
Trade and other payables from exchange transactions	17	136 685 200	113 157 712
Unspent conditional grants and receipts	18	5 421 496	2 724 364
VAT payable	19	4 623 369	4 050 840
		197 642 857	162 874 624
Non-Current Liabilities			
Finance lease obligation	15	3 755 671	10 192 545
Other financial liabilities	16	2 332 302	6 016 510
Provisions	20	4 014 650	1 939 479
		10 102 623	18 148 534
Total Liabilities		207 745 480	181 023 158
Net Assets		1 027 746 060	1 036 570 132
Net Assets			
Accumulated surplus		1 027 746 060	1 036 570 132

Moqhaka Local Municipality

(Municipal demarcation code FS201)

Annual Financial Statements for the year ended 30 June 2011

Statement of Financial Performance

Figures in Rand	Note(s)	2011	Restated R
Revenue	21	409 261 680	360 258 830
Other income		7 607 727	5 243 781
Other expenses		(420 665 735)	(381 409 991)
Operating deficit		(3 796 328)	(15 907 380)
Investment revenue	25	5 313 787	4 086 782
Fair value adjustments		26 639	30 896
Finance costs	34	(10 368 170)	(10 879 232)
Deficit for the year		(8 824 072)	(22 668 934)

Moqhaka Local Municipality

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Annual Financial Statements for the year ended 30 June 2011

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	1 058 455 015	1 058 455 015
Correction of prior period error	784 051	784 051
Balance at 01 July 2009 as restated	1 059 239 066	1 059 239 066
Deficit for the period as restated	(22 668 934)	(22 668 934)
Balance at 01 July 2010 as restated	1 036 570 132	1 036 570 132
Deficit for the period	(8 824 072)	(8 824 072)
Balance at 30 June 2011	1 027 746 060	1 027 746 060

Moqhaka Local Municipality

(Municipal demarcation code FS201)

Annual Financial Statements for the year ended 30 June 2011

Cash flow statement

Figures in Rand	Note(s)	2011	Restated R
Cash flows from operating activities			
Receipts			
Cash receipts from ratepayers, government and other		386 034 771	339 009 763
Interest income		5 307 840	4 048 968
Dividends received		5 947	37 814
		<u>391 348 558</u>	<u>343 096 545</u>
Payments			
Cash paid to suppliers and employees		(310 132 465)	(248 084 125)
Finance costs		(10 330 870)	(10 846 593)
		<u>(320 463 335)</u>	<u>(258 930 718)</u>
Net cash flows from operating activities	38	<u>70 885 223</u>	<u>84 165 827</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(66 624 563)	(83 470 246)
Proceeds from sale of property, plant and equipment		69	71 996
Purchase of other intangible assets	10	-	(167 388)
Increase / (decrease) of financial assets		(22 521)	1 751 927
Net cash flows from investing activities		<u>(66 647 015)</u>	<u>(81 813 711)</u>
Cash flows from financing activities			
(Decrease) / increase of other financial liabilities		(132 006)	1 429 424
Increase in employee benefits		3 292 093	265 522
(Decrease) / increase of finance lease		(7 507 071)	9 579 548
Net cash flows from financing activities		<u>(4 346 984)</u>	<u>11 274 494</u>
Net increase in cash and cash equivalents		<u>(108 776)</u>	<u>13 626 610</u>
Cash and cash equivalents at the beginning of the year		4 737 941	(8 888 669)
Cash and cash equivalents at the end of the year	3	<u>4 629 165</u>	<u>4 737 941</u>

Moqhaka Local Municipality

(Municipal demarcation code FS201)

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1. Statement of compliance

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board; and in accordance with section 122(3) of the Municipal Finance Management Act (No 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below. These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Estimates and underlying assumptions are reviewed on an on-going basis. Revision to accounting estimates are recognised in the period in which the estimate are revised and in any future period affected. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the statement of financial performance in the year in which it arose.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including economic factors such as inflation and interest.

Moqhaka Local Municipality

(Municipal demarcation code FS201)

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

Provisions

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at reporting date, and are discounted to the present value where the time value effect is material. Additional disclosure of these estimates of provisions are included in note 20 - Provisions.

Useful lives and residual values

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment as well as the intangible assets. The municipality re-assess the useful lives and the residual value on an annual basis, considering the conditional and use of the individual assets. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Effective interest rate and deferred payment terms

The municipality uses an appropriate interest rate, taking into account guidance provided in the accounting standards, and applying professional judgement to the specific circumstances, to discount future cash flows.

Appropriate adjustments have been made to compensate for the effect of deferred settlement terms that material impact on the fair value of the financial instruments, revenue and expenses at initial recognition. The adjustments require a degree of estimation around the discount rate and periods used.

GRAP 24: Presentation of budget information

The municipality is required to present a comparison of the budget amounts for which it is held publicly accountable and actual. The comparison of budget and actual amounts present separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget (for which the municipality is held publicly accountable) and actual amounts.

1.2 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. Costs include material, labour directly attributable and borrowing costs. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Moqhaka Local Municipality

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Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.2 Investment property (continued)

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value over the useful life of the property, which is as follows, for the current and the comparative period:

Item	Useful life
Investment property - land	indefinite
Investment property - buildings	60 - 160 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

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Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.3 Property, plant and equipment (continued)

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses..

The useful lives of items of property, plant and equipment have been assessed as follows, for the current and comparative periods:

Item	Average useful life
Land	Indefinite
Buildings	30 - 190 years
Plant and machinery	2 - 85 years
Furniture and fixtures	2 - 45 years
Motor vehicles	2 - 35 years
Office equipment	2 - 60 years
IT equipment	2 - 45 years
Infrastructure	
• Park infrastructure assets	4 - 160 years
Community assets	
• Land	Indefinite
• Buildings	4 - 160 years
Electricity	10 - 160 years
Park infrastructure	4 - 160 years
Solid waste	15 - 40 years
Wastewater network	5 - 135 years
Portable water network	8 - 135 years
Storm water	45 - 160 years
Heritage	Indefinite
Roads, bridges and roadside structures	4 - 165 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

Assets which the municipality holds under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease.

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Accounting Policies

1.4 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Intangible assets, with definite useful lives, amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows, for the current and comparative periods:

Item	Useful life
Computer software - financial system	20 years
Computer software - operating system	5 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

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Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.5 Financial instruments

Classification

The municipality classifies financial assets and financial liabilities into the following categories:

- Financial assets at fair value through surplus or deficit - held for trading
- Held-to-maturity investment
- Loans and receivables
- Available-for-sale financial assets
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is only re-assessed when contractual terms of the financial instrument have been changed.

Initial recognition and measurement

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument. Transaction costs on financial instruments at fair value through surplus or deficit are recognised in surplus or deficit.

Subsequent measurement

Financial instruments at fair value through surplus or deficit are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.

Net gains or losses on the financial instruments at fair value through surplus or deficit include dividends and interest.

Dividend income is recognised in surplus or deficit as part of other income when the municipality's right to receive payment is established.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Held-to-maturity investments are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Available-for-sale financial assets are subsequently measured at fair value. This excludes equity investments for which a fair value is not determinable, which are measured at cost less accumulated impairment losses.

Gains and losses arising from changes in fair value are recognised in net assets until the asset is disposed of or determined to be impaired. Interest on available-for-sale financial assets calculated using the effective interest method is recognised in surplus or deficit as part of other income. Dividends received on available-for-sale equity instruments are recognised in surplus or deficit as part of other income when the municipality's right to receive payment is established. Changes in fair value of available-for-sale financial assets denominated in a foreign currency are analysed between translation differences resulting from changes in amortised cost and other changes in the carrying amount. Translation differences on monetary items are recognised in surplus or deficit, while translation differences on non-monetary items are recognised in net assets, but only if the gain or loss of the asset is recognised in net assets..

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Financial assets and financial liabilities are offset and the net amount reported on the financial position where there is a current legally enforceable right to set-off the recognised amount and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

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1.5 Financial instruments (continued)

Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Impairment of financial assets at amortised cost

At each end of the reporting period the municipality assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the municipality, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in surplus or deficit - is removed from equity as a reclassification adjustment and recognised in surplus or deficit.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Consumer deposits

Consumer deposits consists of deposits due by consumers upon opening of service accounts.

Consumer deposits are measured at initial recognition at fair value. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Consumer deposits are classified as loans and receivables.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit. Trade and other receivables are classified as loans and receivables.

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1.5 Financial instruments (continued)

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value. Cash and cash equivalents are classified as loans and receivables.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

Held to maturity

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in surplus or deficit when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the municipality has the positive intention and ability to hold to maturity are classified as held to maturity.

Financial liabilities and equity instruments

Financial liabilities are classified according to the substance of contractual agreements entered into. Trade and other payables are stated at their nominal value. Equity instruments are recorded at the amount received, net of direct issue costs.

Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- A gain or loss on a financial asset or financial liability classified as at fair value through surplus or deficit is recognised in surplus or deficit;
- A gain or loss on an available-for-sale financial asset is recognised directly in net assets, through the statement of changes in net assets, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in net assets is recognised in surplus or deficit; and
- For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

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Accounting Policies

1.5 Financial instruments (continued)

Derecognition

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the municipality retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the municipality has transferred its rights to receive cash flows from the asset and either
 - has transferred substantially all the risks and rewards of the asset, or
 - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the municipality has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the municipality's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the municipality could be required to repay. .

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

Impairment of financial assets

The municipality assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

The amount of the loss shall be recognised in surplus or deficit. The municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

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Accounting Policies

1.6 Leases (continued)

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

1.7 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of consumable stores inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

The cost of the water inventories is assigned using the average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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Accounting Policies

1.7 Inventories (continued)

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.8 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

1.9 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

Defined contribution plans

Payments to defined contribution retirement benefit plans are recognised in surplus or deficit when the services are rendered.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the municipality's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

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Accounting Policies

1.9 Employee benefits (continued)

Other post retirement obligations

The municipality provides post-retirement health care benefits and gratuities upon retirement to retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. Independent qualified actuaries carry out valuations of these obligations. The benefits are charged to income as incurred throughout the year.

Multi employer plans

A multi employer plan is classified as either a defined benefit plan or a defined contribution plan. If the plan is a defined benefit plan, an actuarial valuation should be obtained. Normal defined benefit plan accounting would be applied to the proportionate share of the obligation and assets relating to the municipality. If actuaries are unable to provide the municipality with an actuarial valuation, the municipality accounts for the plan as if it were a defined contribution plan.

1.10 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense in surplus or deficit.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

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Accounting Policies

1.10 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of a activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding agreement.

A contingent liability is a

- possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of an uncertain future event not wholly within the control of the municipality, or
- a present obligation that arises from past events but will not be recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- the amount of the obligation can not be measured with sufficient reliability.

A contingent asset is a

- possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of an uncertain future event not wholly within the control of the municipality, or

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 39.

1.11 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable.

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Accounting Policies

1.11 Revenue from exchange transactions (continued)

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest and dividends

Revenue arising from the use by others of entity assets yielding interest and dividends is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest method.

Dividends, or their equivalents are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

Revenue from the rental of facilities and equipment is recognised on a straight-lined basis over the term of the lease agreement.

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Accounting Policies

1.12 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes. Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

1.13 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current. Borrowing costs are capitalised to qualifying assets except when inappropriate.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.14 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

Budget information, in accordance with GRAP 1 and based on IPSAS 24, has been provided in Annexure E(1) to these financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed in note 43.

Where accounting errors have been identified in the current year, the correction is made retrospectively as far as practical, and the prior period comparatives are restated accordingly. The nature and reason for the reclassification is disclosed in note 43.

Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practical, and the prior year comparatives are restated accordingly. The nature and reason for the reclassification is disclosed in note 42.

1.15 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

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Accounting Policies

1.15 Unauthorised expenditure (continued)

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred, unless it meets the definition and recognition criteria of an asset. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.16 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.17 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

1.18 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

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Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 23: Revenue from Non-exchange Transactions

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2010.

The municipality has adopted the standard for the first time in the 2011 annual financial statements.

Any impact of the standard is set out in note Changes in Accounting Policy.

GRAP 24: Presentation of Budget Information in the Financial Statements

Subject to the requirements of paragraph .19, an entity shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the municipality is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Where an entity prepares its budget and annual financial statements on a comparable basis, it includes the comparison as an additional column in the primary annual financial statements. Where the budget and annual financial statements are not prepared on a comparable basis, a separate statement is prepared called the 'Statement of Comparison of Budget and Actual Amounts'. This statement compares the budget amounts with the amounts in the annual financial statements adjusted to be comparable to the budget.

A comparable basis means that the budget and annual financial statements:

- are prepared using the same basis of accounting i.e. either cash or accrual;
- include the same activities and entities;
- use the same classification system; and
- are prepared for the same period.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2011 annual financial statements.

Any impact of the standard is set out in note Changes in Accounting Policy.

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Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

IGRAP 1: Interpretation of GRAP: Applying the Probability Test on Initial Recognition of Exchange Revenue

An entity assesses the probability of each transaction on an individual basis when it occurs. Entities shall not assess the probability on an overall level based on the payment history of recipients of the service in general when the probability of revenue is assessed at initial recognition.

The full amount of revenue will be recognised at initial recognition. Assessing impairment is an event that takes place subsequently to initial recognition. Such impairment is an expense. Revenue is not reduced by this expense.

The effective date of the interpretation is for years beginning on or after 01 April 2010.

The municipality has adopted the interpretation for the first time in the 2011 annual financial statements.

Any impact of the interpretation is set out in note Changes in Accounting Policy.

GRAP 21: Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

An municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, an entity estimates the recoverable service amount of the asset.

The present value of the remaining service potential of a non-cash-generating asset is determined using one of the following approaches:

- Depreciated replacement cost approach
- Restoration cost approach
- Service units approach

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

An municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, an entity estimates the recoverable service amount of that asset.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2011 annual financial statements.

Any impact of the standard is set out in note Changes in Accounting Policy.

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Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

2009 Annual Improvements Project: Amendments to IAS 39 (AC 133) Financial Instruments: Recognition and Measurement

In terms of the amendment, forward contracts to buy or sell an acquiree that will result in a business combination in the future, are only exempt from the Standard if the term of the contract does not exceed that which is reasonably necessary to obtain the required approval and complete the transaction. The amendment further clarifies that in a cash flow hedge of a forecast transaction, gains or losses should be reclassified from equity to profit or loss in the period in which the hedged forecast cash flow affects surplus or deficit. The amendment also clarifies that a prepayment option is not closely related to the host contract unless the exercise price is approximately equal to the present value of the lost interest for the remaining term of the host contract.

The effective date of the amendment is for years beginning on or after 01 January 2010.

The municipality has adopted the amendment for the first time in the 2011 annual financial statements.

Any impact of the amendment is set out in note Changes in Accounting Policy.

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2011 or later periods:

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, states that no comparative segment information need to be presented on initial adoption of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment, recognition requirements of this Standard would not apply to such items until the transitional provision in that Standard expires.

Directive 4 – Transitional provisions for medium and low capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment and the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that standard expires.

The effective date of the standard has not yet been determined.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

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2. New standards and interpretations (continued)

GRAP 25: Employee benefits

The objective of GRAP25 is to prescribe the accounting and disclosure for employee benefits. The Standard requires an municipality to recognise:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when an municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

GRAP25 must be applied by an employer in accounting for all employee benefits, except share based payment transactions.

GRAP25 defines, amongst others, the following:

- Employee benefits as all forms of consideration given by an municipality in exchange for service rendered by employees;
- Defined contribution plans as post-employment benefit plans under which an municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods;
- Defined benefit plans as post-employment benefit plans other than defined contribution plans;
- Multi-employer plans as defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that:
 - pool the assets contributed by various entities that are not under common control; and
 - use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the municipality that employs the employees concerned;
- Other long-term employee benefits as employee benefits (other than post-employment benefits and termination benefits) that is not due to be settled within twelve months after the end of the period in which the employees render the related service;
- Post-employment benefits as employee benefits (other than termination benefits) which are payable after the completion of employment;
- Post-employment benefit plans as formal or informal arrangements under which an municipality provides post-employment benefits for one or more employees;
- Short-term employee benefits as employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service;
- State plans as plans other than composite social security programmes established by legislation which operate as if they are multi-employer plans for all entities in economic categories laid down in legislation;
- Termination benefits as employee benefits payable as a result of either:
 - an entity's decision to terminate an employee's employment before the normal retirement date; or
 - an employee's decision to accept voluntary redundancy in exchange for those benefits;
- Vested employee benefits as employee benefits that are not conditional on future employment.

The standard states the recognition, measurement and disclosure requirements of:

- Short-term employee benefits;
 - All short-term employee benefits;
 - Short-term compensated absences;
 - Bonus, incentive and performance related payments;
- Post-employment benefits: Defined contribution plans;
- Other long-term employee benefits;
- Termination benefits.

The standard states Post-employment benefits: Distinction between defined contribution plans and defined benefit plans:

- Multi-employer plans;
- Defined benefit plans where the participating entities are under common control;
- State plans;
- Composite social security programmes;
- Insured benefits.

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Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The standard states, for Post-employment benefits: Defined benefit plans, the following requirements:

- Recognition and measurement;
- Presentation;
- Disclosure;
- Accounting for the constructive obligation;
- Statement of financial position;
- Asset recognition ceiling;
- Asset recognition ceiling: When a minimum funding requirement may give rise to a liability;
- Statement of financial performance.

The standard prescribes recognition and measurement for:

- Present value of defined benefit obligations and current service cost:
 - Actuarial valuation method;
 - Attributing benefits to periods of service;
 - Actuarial assumptions;
 - Actuarial assumptions: Discount rate;
 - Actuarial assumptions: Salaries, benefits and medical costs;
 - Actuarial gains and losses;
 - Past service cost.
- Plan assets:
 - Fair value of plan assets;
 - Reimbursements;
 - Return on plan assets.

The standard also deals with Entity combinations and Curtailments and settlements.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standards has not yet been determined.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 104: Financial Instruments

The standard prescribes recognition, measurement, presentation and disclosure requirements for financial instruments. Financial instruments are defined as those contracts that results in a financial asset in one municipality and a financial liability or residual interest in another municipality. A key distinguishing factor between financial assets and financial liabilities and other assets and liabilities, is that they are settled in cash or by exchanging financial instruments rather than through the provision of goods or services.

One of the key considerations in initially recognising financial instruments is the distinction, by the issuers of those instruments, between financial assets, financial liabilities and residual interests. Financial assets and financial liabilities are distinguished from residual interests because they involve a contractual right or obligation to receive or pay cash or another financial instrument. Residual interests entitle an municipality to a portion of another municipality's net assets in the event of liquidation and, to dividends or similar distributions paid at management's discretion.

In determining whether a financial instrument is a financial asset, financial liability or a residual interest, an municipality considers the substance of the contract and not just the legal form.

Where a single instrument contains both a liability and a residual interest component, the issuer allocates the instrument into its component parts. The issuer recognises the liability component at its fair value and recognises the residual interest as the difference between the carrying amount of the instrument and the fair value of the liability component. No gain or loss is recognised by separating the instrument into its component parts.

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Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Financial assets and financial liabilities are initially recognised at fair value. Where an municipality subsequently measures financial assets and financial liabilities at amortised cost or cost, transactions costs are included in the cost of the asset or liability.

The transaction price usually equals the fair value at initial recognition, except in certain circumstances, for example, where interest free credit is granted or where credit is granted at a below market rate of interest.

Concessionary loans are loans either received by or granted to another municipality on concessionary terms, e.g. at low interest rates and flexible repayment terms. On initial recognition, the fair value of a concessionary loan is the present value of the agreed contractual cash flows, discounted using a market related rate of interest for a similar transaction. The difference between the proceeds either received or paid and the present value of the contractual cash flows is accounted for as non-exchange revenue by the recipient of a concessionary loan in accordance with Standard of GRAP on Revenue from Non-exchange Revenue Transactions (Taxes and Transfers), and using the Framework for the Preparation and Presentation of Financial Statements (usually as an expense) by the grantor of the loan.

Financial assets and financial liabilities are subsequently measured either at fair value or, amortised cost or cost. An municipality measures a financial instrument at fair value if it is:

- a derivative;
- a combined instrument designated at fair value, i.e. an instrument that includes a derivative and a non-derivative host contract;
- held-for-trading;
- a non-derivative instrument with fixed or determinable payments that is designated at initial recognition to be measured at fair value;
- an investment in a residual interest for which fair value can be measured reliably; and
- other instruments that do not meet the definition of financial instruments at amortised cost or cost.

Derivatives are measured at fair value. Combined instruments that include a derivative and non-derivative host contract are accounted for as follows:

- Where an embedded derivative is included in a host contract which is a financial instrument within the scope of this Standard, an entity can designate the entire contract to be measured at fair value or, it can account for the host contract and embedded derivative separately using GRAP 104. An municipality is however required to measure the entire instrument at fair value if the fair value of the derivative cannot be measured reliably.
- Where the host contract is not a financial instrument within the scope of this Standard, the host contract and embedded derivative are accounted for separately using GRAP 104 and the relevant Standard of GRAP.

Financial assets and financial liabilities that are non-derivative instruments with fixed or determinable payments, for example deposits with banks, receivables and payables, are measured at amortised cost. At initial recognition, an municipality can however designate such an instrument to be measured at fair value.

An municipality can only measure investments in residual interests at cost where the fair value of the interest cannot be determined reliably.

Once an municipality has classified a financial asset or a financial liability either at fair value or amortised cost or cost, it is only allowed to reclassify such instruments in limited instances.

An entity derecognises a financial asset, or the specifically identified cash flows of an asset, when:

- the cash flows from the asset expire, are settled or waived;
- significant risks and rewards are transferred to another party; or
- despite having retained significant risks and rewards, an municipality has transferred control of the asset to another municipality.

An municipality derecognises a financial liability when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where an municipality modifies the term of an existing financial liability, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

An municipality cannot offset financial assets and financial liabilities in the statement of financial position unless a legal right of set-off exists, and the parties intend to settle on a net basis.

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Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 104 requires extensive disclosures on the significance of financial instruments for an municipality's statement of financial position and statement of financial performance, as well as the nature and extent of the risks that an municipality is exposed to as a result of its annual financial statements. Some disclosures, for example the disclosure of fair values for instruments measured at amortised cost or cost and the preparation of a sensitivity analysis, are encouraged rather than required.

GRAP 104 does not prescribe principles for hedge accounting. An municipality is permitted to apply hedge accounting, as long as the principles in IAS 39 are applied.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard has not yet been determined.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

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Figures in Rand	2011	Restated R
3. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	10 920	10 970
Bank balances	3 650 713	4 726 971
Short-term deposits	967 532	-
	4 629 165	4 737 941

At year end the overdraft amounted to R NIL (2010: R 893).

The fair value of the cash and cash equivalents approximate their carrying values.

Cash and cash equivalents pledged as collateral

Limited cession facility for local guarantee, garage card and credit card facilities <i>This cession is linked to ABSA fixed deposit account number 205 824 7882</i>	55 000	155 000
Local guarantees issued to Department of Mining and Energy <i>This is guaranteed against ABSA primary account number 40 532 748 26</i>	50 000	50 000
Limited surety including cessions of loans for Mr DA Fivaz, Mr MLM Majavu, Mr R Mokoena, Mr SJ Tsunke and Mr LB Uys <i>This is guaranteed against ABSA primary account number 40 532 748 26</i>	38 200	-
Limited cessions <i>This is guaranteed against ABSA investment account number 63 012 191 90</i>	7 800	-
	151 000	205 000

The municipality had the following bank accounts

Bank, description and account number	Bank statement balances		Cash book balances	
	30 June 2011	30 June 2010	30 June 2011	30 June 2010
ABSA bank - cheque account account number 40 532 748 26	2 984 960	1 993 474	3 650 547	4 727 864
FNB bank - cheque account account number 62 028 349 349	166	(893)	166	(893)
Total	2 985 126	1 992 581	3 650 713	4 726 971

4. Receivables from exchange transactions

Gross balances		
Assessment rates	23 693 357	19 383 526
Electricity	27 843 773	25 124 713
Water	74 881 726	55 983 676
Interest on Debtors	46 024 122	43 735 291
Sewerage	24 469 371	22 313 320
Refuse	22 838 478	21 882 105
Sundry Services	21 630 664	21 253 826
Deposits	1 571 784	1 541 876
Accrued electricity and water	11 114 419	9 837 561
	254 067 694	221 055 894

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Notes to the Annual Financial Statements

Figures in Rand	2011	Restated R
4. Receivables from exchange transactions (continued)		
Less: Impairment		
Assessment rates	(13 724 642)	(9 622 128)
Electricity	(17 383 998)	(17 156 872)
Water	(65 602 993)	(47 414 754)
Interest on debtors	(44 243 477)	(36 761 303)
Sewerage	(21 941 132)	(17 339 309)
Refuse	(20 984 798)	(17 565 436)
Sundry Services	(21 076 245)	(19 532 304)
Deposits	(1 443 002)	(1 182 812)
Accrued electricity and water	-	-
	(206 400 287)	(166 574 918)
Net carrying amount		
Assessment Rates	9 968 715	9 761 398
Electricity	10 459 775	7 967 841
Water	9 278 733	8 568 922
Interest on Debtors	1 780 645	6 973 988
Refuse	1 853 680	4 316 669
Sewerage	2 528 239	4 974 011
Sundry Services	554 419	1 721 522
Deposits	128 782	359 064
Accrued electricity and water	11 114 419	9 837 561
	47 667 407	54 480 976
Assessment Rates		
Current (0 -30 days)	2 071 487	1 937 906
31 - 60 days	667 400	757 551
61 - 90 days	536 469	568 468
90+ days	6 693 359	6 497 473
	9 968 715	9 761 398
Electricity		
Current (0 -30 days)	7 618 220	5 450 328
31 - 60 days	584 588	466 135
61 - 90 days	289 536	189 634
90+ days	1 967 431	1 861 744
	10 459 775	7 967 841
Water		
Current (0 -30 days)	3 133 970	2 186 054
31 - 60 days	1 381 251	1 431 288
61 - 90 days	1 004 693	1 070 688
90+ days	3 758 819	3 880 892
	9 278 733	8 568 922
Interest on Debtors		
Current (0 -30 days)	358 998	338 078
31 - 60 days	338 609	331 331
61 - 90 days	333 597	317 186
90+ days	749 441	5 987 393
	1 780 645	6 973 988

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Notes to the Annual Financial Statements

Figures in Rand	2011	Restated R
4. Receivables from exchange transactions (continued)		
Sewerage		
Current (0 -30 days)	730 627	583 697
31 - 60 days	379 557	298 896
61 - 90 days	335 802	259 647
90+ days	1 082 253	3 831 771
	2 528 239	4 974 011
Refuse		
Current (0 -30 days)	544 745	481 309
31 - 60 days	271 322	254 333
61 - 90 days	240 166	223 092
90+ days	797 447	3 357 935
	1 853 680	4 316 669
Sundry Services		
Current (0 -30 days)	373 768	232 678
31 - 60 days	57 144	95 703
61 - 90 days	15 600	490 470
90+ days	107 907	902 671
	554 419	1 721 522
Deposits		
Current (0 -30 days)	28 487	56 247
31 - 60 days	4 981	5 428
61 - 90 days	7 813	7 233
90+ days	87 501	290 156
	128 782	359 064
Accrued electricity and water		
Current (0 -30 days)	11 114 419	9 837 561
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	7 023 930	6 054 223
31 - 60 days	4 083 936	4 664 270
61 - 90 days	3 315 134	3 971 358
90+ days	199 195 136	181 910 909
	213 618 136	196 600 760
Less: Impairment	(194 393 406)	(157 487 061)
	19 224 730	39 113 699

Moqhaka Local Municipality

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Figures in Rand	2011	Restated R
4. Receivables from exchange transactions (continued)		
Industrial / commercial		
Current (0 -30 days)	6 575 474	4 274 019
31 - 60 days	880 472	473 357
61 - 90 days	642 494	246 807
90+ days	16 285 272	6 438 002
	24 383 712	11 432 185
Less: Impairment	(11 108 679)	(8 897 999)
	13 275 033	2 534 186
National and provincial government		
Current (0 -30 days)	3 080 006	2 288 218
31 - 60 days	261 059	187 977
61 - 90 days	158 980	118 587
90+ days	1 451 378	590 606
	4 951 423	3 185 388
Less: Impairment	(898 201)	(189 858)
	4 053 222	2 995 530
Total		
Current (0 -30 days)	16 679 410	12 616 460
31 - 60 days	5 225 467	5 325 604
61 - 90 days	4 116 608	4 336 752
90+ days	216 931 786	188 939 517
	242 953 271	211 218 333
Less: Impairment	(206 400 286)	(166 574 918)
Plus: Accrued electricity and water	11 114 422	9 837 561
	47 667 407	54 480 976
Reconciliation of impairment		
Balance at beginning of the year	(166 574 918)	(122 135 448)
Contributions to provision	(36 121 404)	(39 953 076)
VAT amount included in provision	(3 703 965)	(4 668 238)
Debt impairment written off against provision	-	181 844
	(206 400 287)	(166 574 918)

Receivables with arrangements

Included in the above receivables from exchange transactions, is a number of consumers with whom arrangements have been made to pay the debt over a longer period. The information from the municipality system was not readily available to calculate the precise figures for the total amount outstanding and also to calculate the timing of the repayments from the consumers. The estimated receivables with arrangements, after impairment, is R 2.4 million (2010: R 3.2 million).

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Figures in Rand	2011	Restated R
5. Inventories		
Capital projects inventory	-	58 794
Consumables - at cost	4 210 729	3 358 255
Water inventory	244 802	184 529
	4 455 531	3 601 578
None of the inventories held by the municipality were measured at fair value less cost to sell.		
Inventory recognised as an expense amounted to R 3 983 879 in the current year (2010: R 10 673 834).		
Inventory held by the municipality were written up by R 313 555 in the current year (2010: written down by R 108 680).		
6. Investments		
At fair value through surplus or deficit - held for trading		
Unlisted shares	199 884	173 245
<i>The unlisted shares consist of equity shares in Senwesbel Limited (no. of shares 18 130) and Senswes Limited (no. of shares 11 822).</i>		
Held to maturity		
Short term deposits maturing within 12 months	-	11 300
<i>This investment, held at First National Bank, is pledged as security to Eskom for the electricity connection.</i>		
Fixed deposits	118 055	115 064
<i>Various fixed deposits are held at ABSA, interest rates vary between 5.18% - 6.93% and are maturing during year ending 2012 and 2013.</i>		
	118 055	126 364
Total other financial assets	317 939	299 609
Non-current assets		
Held to maturity	-	115 064
Current assets		
Available-for-sale	199 884	173 245
Held to maturity	118 055	11 300
	317 939	184 545
	317 939	299 609

Fair value information

Fair values are determined annually at reporting date. The fair values of fixed deposits and short term deposits approximate their carrying values. The fair value of listed shares are determined by reference to their quoted prices.

The municipality has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

There were no gains or losses realised on the disposal of held to maturity financial assets in 2011 and 2010.

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Notes to the Annual Financial Statements

Figures in Rand	2011	Restated R
7. Receivables from operating leases		
Current assets - deferred operating lease asset	71 674	90 524
The Municipality leases out grazing camps, other properties and buildings under operating leases. The future minimum lease payments are as follows:		
Not later than 1 year	91 200	193 685
Between 1 and 5 years	201 476	296 234
Later than 5 years	-	-
	292 676	489 919

Details of operating leases:

Grazing camps near Steynsrus, Viljoenskroon and Kroonstad and other properties and buildings owned by the Municipality are leased to various individuals over a period of 3 - 5 years, with an average increase rate of 10% per annum.

8. Other receivables from non-exchange transactions

Marabastad housing project	1 381 880	1 381 880
Other receivables	82 221	786 690
	1 464 101	2 168 570

The fair value other receivables approximate their carrying values.

9. VAT receivable

VAT	12 506 446	7 180 820
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The Municipality is registered on the cash basis for VAT purposes. This means that VAT is only paid once cash is received or actual payments are made.

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Figures in Rand

10. Intangible assets

	2011			2010		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software	2 778 112	(1 164 115)	1 613 997	2 778 112	(847 767)	1 930 345

Reconciliation of intangible assets - 2011

	Opening balance	Amortisation	Total
Computer software	1 930 345	(316 348)	1 613 997

Reconciliation of intangible assets - 2010

	Opening balance	Additions	Amortisation	Total
Computer software	2 013 580	167 388	(250 623)	1 930 345

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11. Investment property

	2011			2010		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Investment property - Land	12 999 809	-	12 999 809	12 999 809	-	12 999 809
Investment property - Buildings	12 282 833	(6 596 474)	5 686 359	12 282 833	(6 478 014)	5 804 819
Total	25 282 642	(6 596 474)	18 686 168	25 282 642	(6 478 014)	18 804 628

Reconciliation of investment property - 2011

	Opening balance	Depreciation	Total
Land	12 999 809	-	12 999 809
Buildings	5 804 818	(118 459)	5 686 359
	18 804 627	(118 459)	18 686 168

Reconciliation of investment property - 2010

	Opening balance	Depreciation	Total
Land	12 999 809	-	12 999 809
Buildings	5 923 277	(118 459)	5 804 818
	18 923 086	(118 459)	18 804 627

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Investment Property consists of various residential and municipal properties leased to individuals and businesses. These properties are leased under an operating lease and are located in Kroonstad, Steynsrus and Viljoenskroon. The age of these properties range between 10 and 110 years.

The fair value of these properties could not be determined reliably due to the inadequate information available in the asset register. The consultant who was responsible for reconstructing the asset register was not able to provide support to management regarding the appropriateness of the estimates and assumptions used in determining the values currently captured in the records. As a result these figures cannot be relied on. Management has appointed a new consultant to review the valuation of all immovable assets for reasonableness. Only once this review has been completed will management be in a position to determine possible ranges of fair values for Investment Property.

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Notes to the Annual Financial Statements

Figures in Rand

12. Property, plant and equipment

	2011			2010		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Buildings	21 198 781	(9 246 461)	11 952 320	21 276 956	(9 075 176)	12 201 780
Capital work in progress	60 002 244	-	60 002 244	42 117 331	-	42 117 331
Community assets - Buildings	80 442 049	(51 524 268)	28 917 781	80 442 049	(49 702 917)	30 739 132
Community assets - Land	920 448	-	920 448	920 448	-	920 448
Furniture and fixtures	3 151 621	(885 738)	2 265 883	2 750 156	(788 169)	1 961 987
Heritage	17 544	-	17 544	17 544	-	17 544
IT equipment	4 946 801	(2 805 426)	2 141 375	4 804 111	(2 380 490)	2 423 621
Infrastructure	2 205 189 818	(1 218 733 444)	986 456 374	2 166 091 230	(1 177 341 148)	988 750 082
Land	6 926 757	-	6 926 757	6 926 757	-	6 926 757
Motor vehicles	45 064 969	(10 220 452)	34 844 517	34 711 418	(7 255 642)	27 455 776
Office equipment	14 623 414	(7 262 414)	7 361 000	14 592 754	(5 630 374)	8 962 380
Plant and machinery	4 262 550	(1 989 681)	2 272 869	3 534 393	(1 712 932)	1 821 461
Total	2 446 746 996	(1 302 667 884)	1 144 079 112	2 378 185 147	(1 253 886 848)	1 124 298 299

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12. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Buildings	12 201 780	-	-	-	(249 460)	11 952 320
Capital work in progress	42 117 331	44 655 888	-	(26 770 975)	-	60 002 244
Community assets - Buildings	30 739 132	-	-	-	(1 821 351)	28 917 781
Community assets - Land	920 448	-	-	-	-	920 448
Furniture and fixtures	1 961 987	461 565	(27 992)	-	(129 677)	2 265 883
Heritage	17 544	-	-	-	-	17 544
IT equipment	2 423 621	228 760	(35 698)	-	(475 308)	2 141 375
Infrastructure	988 750 082	12 327 592	-	26 770 975	(41 392 275)	986 456 374
Land	6 926 757	-	-	-	-	6 926 757
Motor vehicles	27 455 776	10 984 810	(351 779)	-	(3 244 290)	34 844 517
Office equipment	8 962 380	21 377	-	-	(1 622 757)	7 361 000
Plant and machinery	1 821 461	799 508	(61 288)	-	(286 812)	2 272 869
	1 124 298 299	69 479 500	(476 757)	-	(49 221 930)	1 144 079 112

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12. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - restated 2010

	Opening balance	Additions	Disposals	Transfers to completed	Depreciation	Total
Buildings	12 451 615	-	-	-	(249 835)	12 201 780
Capital work in progress	-	60 801 087	-	(18 683 756)	-	42 117 331
Community assets - Buildings	32 653 709	-	-	-	(1 914 577)	30 739 132
Community assets - Land	920 448	-	-	-	-	920 448
Furniture and fixtures	1 730 222	359 402	-	-	(127 637)	1 961 987
Heritage	17 544	-	-	-	-	17 544
IT equipment	2 264 344	658 574	-	-	(499 297)	2 423 621
Infrastructure	1 000 083 986	10 066 271	-	18 683 756	(40 083 931)	988 750 082
Land	6 326 757	600 000	-	-	-	6 926 757
Motor vehicles	18 559 830	11 840 155	(199 792)	-	(2 744 417)	27 455 776
Office equipment	10 084 108	470 461	(1 138)	-	(1 591 051)	8 962 380
Plant and machinery	1 935 584	226 845	(1 099)	-	(339 869)	1 821 461
	1 087 028 147	85 022 795	(202 029)	-	(47 550 614)	1 124 298 299

Pledged as security

There are currently no restrictions on property, plant and equipment as a result of them being pledged as securities for liabilities.

Other information

The entity currently has the following capital commitments with regards to capital expenditure on infrastructure assets:

Approved and contracted for

2011	Restated 2010
59 885 051	58 526 685

The following amounts have been included in Other Income which relates to damaged, lost or given up property, plant and equipment.

Proceeds received from Insurers

440 864	149 933
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Figures in Rand	2011	Restated R
12. Property, plant and equipment (continued)		
The following amounts relates to leased assets held by the entity included in property, plant and equipment		
Net carrying value of leased assets		
Motor vehicles	8 444 556	10 043 106
Office equipment	6 177 062	7 582 446
	14 621 618	17 625 552
Lease liability (refer to note 15)		
Motor vehicle	(5 549 899)	(9 023 548)
Office equipment	(4 649 300)	(6 955 215)
	(10 199 199)	(15 978 763)
A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.		
Capital work in progress refers to infrastructure projects which are still in the process of being completed.		
13. Consumer deposits		
Kroonstad	7 706 534	7 237 055
Consumer deposits are raised when a service account is opened and is refunded to the consumer after the account is closed.		
14. Employee Benefits		
Funeral assistance	168 000	183 893
Leave pay obligation	8 504 539	6 344 283
Annual bonus provision	3 087 276	3 031 231
Long service bonus provision	1 091 685	-
	12 851 500	9 559 407
15. Finance lease obligation		
Total finance lease obligation		
Minimum lease payments due		
- within one year	7 217 878	7 418 560
- in second to fifth year inclusive	4 166 095	11 472 484
	11 383 973	18 891 044
less: future finance charges	(1 184 774)	(2 912 281)
Present value of minimum lease payments	10 199 199	15 978 763
Non-current liabilities	3 755 671	10 192 545
Current liabilities	6 443 528	5 786 218
	10 199 199	15 978 763

It is municipality policy to lease certain motor vehicles and equipment under finance leases. The average lease term does not exceed 5 years. The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 12.

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Figures in Rand	2011	Restated R
15. Finance lease obligation (continued)		
<i>Finance lease obligation - motor vehicles</i>		
Minimum lease payments due		
- within one year	3 769 203	4 003 243
- in second to fifth year inclusive	2 199 216	6 056 930
	5 968 419	10 060 173
less: future finance charges	(418 520)	(1 036 625)
Present value of minimum lease payments	5 549 899	9 023 548
Interest rates for leased motor vehicles are linked to prime at the contract date. No arrangements have been made to enter into contingent rent.		
<i>Finance lease obligation - equipment</i>		
Minimum lease payments due		
- within one year	3 448 675	3 415 317
- in second to fifth year inclusive	1 966 879	5 415 554
	5 415 554	8 830 871
less: future finance charges	(766 254)	(1 875 656)
Present value of minimum lease payments	4 649 300	6 955 215
Interest rates for leased equipment are fixed at the contract date. Lease payments escalate between 10% - 15% per annum and no arrangements have been entered into for contingent rent.		
16. Other financial liabilities		
Held at amortised cost		
Annuity loans - ABSA	-	60 660
<i>Loan bears interest at 9.94% per annum redeemable during year ending 2011.</i>		
Annuity loans - Development Bank of South Africa	25 002 836	23 758 715
<i>Various loans were awarded bearing interest between 10.70% - 17.26% per annum, redeemable during the years ending 2012 - 2026.</i>		
Annuity loans - Free State Municipal Pension Fund	-	54 495
<i>Loan bears interest at 10.00% per annum redeemable during the year ending 2011.</i>		
Annuity loans - Infrastructure Finance Corporation Ltd	584 950	980 041
<i>Loan bears interest at 17.25% per annum redeemable during year ending 2012.</i>		
Annuity loans - Infrastructure Finance Corporation Ltd	655 746	917 044
<i>Various loans were awarded bearing interest between 16.50% - 17.26% per annum, redeemable during the years ending 2011 and 2012.</i>		
Annuity loans - Standard Bank	-	604 583
<i>Loan bears interest at 8.73% per annum redeemable during year ending 2011.</i>		
	26 243 532	26 375 538
Non-current liabilities		
At amortised cost	2 332 302	6 016 510
Current liabilities		
At amortised cost	23 911 230	20 359 028
	26 243 532	26 375 538

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16. Other financial liabilities (continued)

Defaults and breaches

The municipality defaulted on the repayments of its long term loans held with the Development Bank of South Africa and Infrastructure Corporation Limited during the year. The municipality is in the process of renegotiating the payment terms with various financial institutions due to cash flow challenges faced.

Details of the defaults are reflected below:

Financial institution and loan number	Principal	Interest	Redemption terms	Carrying amount at 30 June 2011
Development Bank of South Africa Loan no. 61 000 147	4 598 398	2 512 650	Monthly instalments	21 194 674
Development Bank of South Africa Loan no. 61 000 229	61 284	294 755	Monthly instalments	3 533 256
Development Bank of South Africa Loan no. 61 002 737	38 815	35 750	Monthly instalments	227 925
Development Bank of South Africa Loan no. 61 002 738	5 750	8 104	Monthlyl instalments	46 982
Infrastructure Finance Corporation Loan no. KRD 111 M-S	158 239	20 206	Half yearly instalments	178 445
Infrastructure Finance Corporation Loan no. KRD 111 Z-S	247 813	56 715	Half yearly instalments	477 301
Infrastructure Finance Corporation Loan no. VILJ 00-0001	475 916	82 334	Half yearly instalments	584 950
	5 586 215	3 010 514		26 243 533

17. Trade and other payables from exchange transactions

Deposits received	6 308	185 550
Payments received in advance	7 235 157	5 776 892
Retention creditors	6 549 283	5 276 640
Other payables	122 894 452	101 918 630
	136 685 200	113 157 712

Suppliers have not been paid within the prescribed 30 day period due to cashflow constraints.

18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Grants	5 421 496	2 724 364
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Figures in Rand	2011	Restated R
18. Unspent conditional grants and receipts (continued)		
Movement during the year		
Balance at the beginning of the year	2 724 364	-
Additions during the year	2 697 132	2 724 364
	5 421 496	2 724 364

The nature and extent of government grants recognised in the annual financial statements are an indication of other forms of government assistance from which the municipality has directly benefited.

Unfulfilled conditions and other contingencies attaching to government assistance is recognised as a liability until such time that the conditions are met. Once the conditions are met it is recognised as revenue.

See note 22 for reconciliation of grants from other spheres of government. The amounts are recognised as revenue when the qualifying expenditure is incurred.

19. VAT payable

Tax payables	4 623 369	4 050 840
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The Municipality is registered on the cash basis for VAT purposes. This means that VAT is only paid once cash is received or actual payments are made.

20. Provisions

Reconciliation of provisions - 2011

	Opening Balance	Additions	Total
Provision for the rehabilitation cost of landfill sites	1 325 310	497 847	1 823 157
Provision for the rehabilitation cost of quarries	614 169	1 577 324	2 191 493
	1 939 479	2 075 171	4 014 650

In terms of the Mineral and Petroleum Resources Development Act, 2002 (Act No 28 of 2002), it is required from the municipality to execute the environmental management program to restore the landfill sites and quarries at Kroonstad, Viljoenskroon and Steynsrus. Provision has been made for this cost based on actual cost calculations received.

No significant judgments were made because actual quotations were obtained at the specified dates to determine these costs.

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Figures in Rand	2011	Restated R
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20. Provisions (continued)

Details on rehabilitation provision for landfill sites:

Kroonstad landfill site

The landfill site at Kroonstad needs to be rehabilitated after 17 years (2028). Rehabilitation costs to be incurred are stipulated in the above mentioned Act which specifies that the area needs to be covered by 100mm top soil and be planted with grass.

Viljoenskroon landfill site

The landfill site at Viljoenskroon needs to be rehabilitated after 1 year (2012). Rehabilitation costs to be incurred are stipulated in the above mentioned Act which specifies that the area needs to be covered by 100mm top soil and be planted with grass.

Steynsrus landfill site

The landfill site at Steynsrus needs to be rehabilitated after 15 years (2026). Rehabilitation costs to be incurred are stipulated in the above mentioned Act which specifies that the area needs to be covered by 100mm top soil and be planted with grass.

Details on rehabilitation provision for quarries:

Kroonstad gravel quarries

The gravel quarries at Kroonstad need to be rehabilitated after 8 years (2019). Rehabilitation costs to be incurred are stipulated by the above mentioned Act which specifies that the area needs to be covered by 100mm top soil and be planted with grass and the slope erected.

Steynsrus gravel quarries

The gravel quarries at Steynsrus needs to be rehabilitated after 9 years (2020). Rehabilitation costs to be incurred are stipulated by the above mentioned Act which specifies that the area needs to be covered by 100mm top soil and be planted with grass and the slope erected.

21. Revenue

Fines		975 612	813 557
Government grants & subsidies	22	166 856 881	147 890 998
Property rates	23	35 252 452	33 129 176
Rental income	28	3 379 868	3 216 209
Service charges	24	202 796 867	175 208 890
		409 261 680	360 258 830

The amounts included in revenue arising from exchange of goods or services are as follows:

Rental income	28	3 379 868	3 216 209
Service charges	24	202 796 867	175 208 890
		206 176 735	178 425 099

The amounts included in revenue arising from non-exchange transactions are as follows:

Fines		975 612	813 557
Government grants & subsidies	22	166 856 881	147 890 998
Property rates	23	35 252 452	33 129 176
		203 084 945	181 833 731

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Figures in Rand	2011	Restated R
22. Government grants and subsidies		
Councillors remuneration grant	2 779 000	459 863
Equitable share	133 010 070	102 369 720
Expanded public works program grant	1 216 000	-
Financial management grant	-	-
Integrated national electrification grant	4 000 000	-
Housing development grant	-	-
Institutional grant	-	167 388
LG SETA grant	91 720	191 634
Municipal infrastructure grant	19 440 000	40 616 327
Rehabilitation of sewerage network	6 320 091	4 086 066
	166 856 881	147 890 998
Councillor remuneration grant		
Balance unspent at beginning of year	-	-
Current-year receipts	2 779 000	459 863
Conditions met - transferred to revenue	(2 779 000)	(459 863)
	-	-
In terms of the Constitution, this grant is used to subsidise the remuneration of councillors.		
Equitable Share		
Balance unspent at beginning of year	-	-
Current-year receipts	133 010 070	102 369 720
Conditions met - transferred to revenue	(133 010 070)	(102 369 720)
	-	-
In terms of the Constitution, this grant is used to subsidise the provision of basic and administrative services to indigent community members and to subsidise income.		
Expanded public work program grant		
Balance unspent at beginning of year	-	-
Current-year receipts	1 216 000	-
Conditions met - transferred to revenue	(1 216 000)	-
	-	-
This grant is used in respect of job creation projects and programmes.		
Financial management grant		
Balance unspent at beginning of year	750 000	-
Current-year receipts	1 200 000	750 000
Balance repayable	(1 258 000)	-
Unspent conditional grant	692 000	750 000

Conditions still to be met - remain liabilities (see note 18)

This grant is to be used to train and appoint intern staff members in the finance department of the municipality.

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Figures in Rand	2011	Restated R
22. Government grants and subsidies (continued)		
Housing development grant		
Balance unspent at beginning of year	1 147 622	1 147 622
Conditions still to be met - remain liabilities (see note 18)		
This grant is to be used to assist with the development of urban renewal.		
Institutional grant		
Balance unspent at beginning of year	567 612	-
Current-year receipts	750 000	735 000
Conditions met - transferred to revenue	-	(167 388)
Unspent conditional grant	1 317 612	567 612
Conditions still to be met - remain liabilities (see note 18)		
The purpose of the grant is to support municipal restructuring initiatives of large municipalities. Funds are made available on the basis of approved restructuring plans that addresses challenges in a sustainable manner.		
Integrated national electrification grant		
Balance unspent at beginning of year	-	-
Current-year receipts	4 000 000	-
Conditions met - transferred to revenue	(4 000 000)	-
	-	-
The purpose of the grant is to facilitate the municipality electrical infrastructure needs.		
LG SETA grant		
Balance unspent at beginning of year	259 130	-
Current-year receipts	531 941	450 764
Conditions met - transferred to revenue	(91 720)	(191 634)
Unspent conditional grant	699 351	259 130
Conditions still to be met - remain liabilities (see note 18)		
The grant is used for training municipality staff to enhance their skills in their respective positions.		
Municipal infrastructure grant		
Balance unspent at beginning of year	-	4 785 327
Current-year receipts	19 440 000	35 831 000
Conditions met - transferred to revenue	(19 440 000)	(40 616 327)
	-	-
The grant is used to supplement the municipal capital budgets to eradicate backlogs in municipal infrastructure utilised in providing basic services.		

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Figures in Rand	2011	Restated R
22. Government grants and subsidies (continued)		
Rehabilitation of sewerage network		
Balance unspent at beginning of year	-	-
Current-year receipts	7 885 002	4 086 066
Conditions met - transferred to revenue	(6 320 091)	(4 086 066)
Unspent conditional grant	1 564 911	-

Conditions still to be met - remain liabilities (see note 18)

The grant is used to assist with the rehabilitation of the sewerage water treatment system of Moqhaka. This grant is funded by the Department of Water Affairs.

23. Property rates

Rates received

Residential and commercial	28 243 901	26 478 834
State	7 008 551	6 650 342
	35 252 452	33 129 176

Valuations

Commercial	853 370 041	962 297 483
Multi-purpose	220 275 000	220 275 000
Municipal	167 304 035	115 421 750
Non-ratable	426 893 211	166 041 116
Residential	5 868 835 813	5 986 207 378
State	741 690 566	750 700 566
	8 278 368 666	8 200 943 293

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2008. Interim valuations are processed on a quarterly basis to take into account changes in individual property values due to alterations and subdivisions.

An average rate of R0.004 (2010: R0.004) is applied to property valuations to determine assessment rates. The first R50 000 of residential property is exempt from taxation. Rebates of 20% are granted to state property owners.

Agricultural property rates are phased in over a three year period, of which the discount for 2011 was 25% (2010: 50%).

Rates are levied on an monthly basis. Interest at prime plus 1% per annum (2010: 1%) is levied on rates outstanding two months after due date.

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Figures in Rand	2011	Restated R
24. Service charges		
Refuse removal	8 833 141	7 733 178
Sale of electricity	142 926 696	128 836 981
Sale of water	39 120 746	29 567 589
Sewerage and sanitation charges	11 916 284	9 071 142
	202 796 867	175 208 890
25. Investment revenue		
Dividend revenue		
Unlisted shares	5 947	37 814
Interest revenue		
Bank	60 718	224 766
Interest charged on receivables from exchange transactions	4 113 386	3 824 202
Amortised interest on creditors	1 133 736	-
	5 307 840	4 048 968
	5 313 787	4 086 782
All amounts above included in investment revenue arises from exchange transactions.		
26. Other revenue		
Admittance fees earned	578 845	322 969
Discount received	15 091	-
Other income	7 013 791	4 919 294
	7 607 727	5 242 263
27. Other income		
Advertisements	209 405	165 636
Burial income	672 554	541 485
Connection fees	593 267	550 054
Erven sales	988 780	622 585
Fire Brigade Fees	-	97 645
Insurance claims	440 864	137 959
Other income	2 678 716	1 336 091
Provision for rehabilitation adjustments	-	154 805
Reconnection fees recovered	197 826	276 331
Donations received	240 423	81 308
Telephone costs recovered	409 386	60 678
Railway siding industrial	505 896	622 216
Special services	6 583	113 830
Sundry income	9 818	8 635
Water valuation adjustments	60 273	150 036
	7 013 791	4 919 294
28. Rental income		
Facilities and equipment		
Rental of facilities and equipment	3 379 868	3 216 209

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Figures in Rand	2011	Restated R
29. General expenses		
Advertising	383 913	333 154
Auditors remuneration	2 505 833	2 451 287
Bank charges	1 381 397	1 176 851
Chemicals	4 499 442	3 323 539
Cleaning	429 003	410 114
Commission paid	2 647 866	2 595 780
Conferences and seminars	594 516	588 217
Consulting and professional fees	5 778 183	8 119 991
Entertainment	630 582	505 134
Fuel and oil	4 579 335	3 755 739
Indigent contributions	5 533 339	3 905 783
Insurance	3 855 949	2 727 130
Rental expenses	1 161 431	3 637 750
Licences - other	733 142	688 458
Licences - vehicles	307 552	251 254
Other expenses	1 871 023	2 187 080
Postage and courier	1 122 622	1 163 245
Printing and stationery	1 457 451	1 387 793
Protective clothing	415 863	397 002
Provision for rehabilitation adjustment	2 075 171	-
Skills development levies	1 049 901	945 333
Special programs	343 199	266 508
Subscriptions and membership fees	1 419 149	969 415
Telephone and fax	1 378 851	1 315 414
Training	127 457	398 630
Valuation roll	-	304 673
Workmen's compensation	800 000	908 702
	47 082 170	44 713 976
30. Employee related costs		
Basic	79 139 929	75 051 910
Bonus	6 384 133	5 823 219
Car allowance	5 259 497	3 823 484
Housing benefits and allowances	848 930	954 905
Leave pay provision charge	5 045 868	2 660 521
Medical aid - company contributions	10 078 411	9 679 415
Other allowances	524 415	57 024
Other payroll levies	1 629 993	1 582 602
Overtime payments	9 719 434	6 835 097
Post-employment benefits - Defined contribution & benefit plans	13 743 594	12 687 791
Standby allowance	546 170	429 947
Telephone allowance	418 005	403 039
UIF	892 528	846 426
	134 230 907	120 835 380
Remuneration of Municipal Manager		
Annual Remuneration	588 420	477 126
Contributions to UIF, Medical and Pension Funds	73 631	108 180
Allowances	350 646	334 220
Travel and subsistence	25 880	25 807
Skills development levy	8 604	7 030
	1 047 181	952 363

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Figures in Rand	2011	Restated R
30. Employee related costs (continued)		
Remuneration of Chief Finance Officer		
Annual Remuneration	417 000	312 008
Contributions to UIF, Medical and Pension Funds	95 205	26 647
Allowances	207 329	181 733
Travel and subsistence	3 952	11 999
Skills development levy	5 705	10 407
	729 191	542 794

The current Chief Finance Officer was appointed in September 2010. The remuneration for the year ended 2010 included 3 months payments, based on a contract with a higher pay rate.

Remuneration of executive directors

Executive Director: Technical services

Annual Remuneration	448 810	137 150
Allowance	217 767	182 628
Contributions to UIF, Medical and Pension Funds	103 453	499
Travel and subsistence	24 587	15 269
Skills development levy	5 956	2 834
	800 573	338 380

The remuneration for the year ended 2010 is only for 4 months.

Executive Director: Corporate services

Annual Remuneration	482 438	440 685
Allowance	254 316	336 252
Contributions to UIF, Medical and Pension Funds	85 865	87 594
Travel and subsistence	7 785	19 745
Skills development levy	6 565	6 729
	836 969	891 005

Executive Director: Community services

Annual Remuneration	482 438	440 685
Allowance	338 684	412 601
Contributions to UIF, Medical and Pension Funds	1 497	1 497
Travel and subsistence	3 727	11 633
Skills development levy	7 763	7 888
	834 109	874 304

31. Remuneration of Councillors

Executive Major	342 008	360 805
Mayoral Committee Members	2 182 217	2 061 019
Speaker	308 591	285 639
Councillors	7 826 266	7 432 918
Councillors' medical and pension fund contributions	1 932 480	1 868 816
	12 591 562	12 009 197

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31. Remuneration of Councillors (continued)		
In-kind benefits		
The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.		
A new Mayor was elected from 1 June 2011. The previous Mayor had use of a council owned vehicle for official duties and one full-time body guard. The newly appointed Mayor does not make use of a council owned vehicle and does not have a full-time body guard. These benefits will be arranged in 2011/12 year.		
32. Debt impairment		
Debt impairment - receivables from exchange transactions	36 121 404	39 953 076
33. Depreciation and amortisation		
Property, plant and equipment	49 221 930	47 550 614
Investment property	118 459	118 459
Intangible assets	316 348	250 624
	49 656 737	47 919 697
34. Finance costs		
Interest on annuity loans	3 083 304	2 670 526
Interest on bank overdraft	19 488	276 910
Interest on finance leases	1 858 504	1 903 060
Interest on late payment of creditors	5 383 156	5 928 092
Other interest paid	23 718	100 644
	10 368 170	10 879 232
35. Auditors' remuneration		
Fees	2 505 833	2 451 287
36. Contracted services		
Specialist Services	4 849 896	5 447 294
Other Contractors	1 338 690	1 034 446
	6 188 586	6 481 740
37. Bulk purchases		
Electricity	109 458 753	86 326 205
Water	2 371 902	2 144 046
	111 830 655	88 470 251

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Figures in Rand	2011	Restated R
38. Cash generated from operations		
Deficit	(8 824 072)	(22 668 934)
Adjustments for:		
Depreciation and amortisation	49 656 737	47 919 697
Loss on sale of assets	476 688	130 033
Fair value adjustments	(26 639)	(30 896)
Finance costs - Finance leases	1 727 507	2 912 281
Debt impairment	36 121 404	39 953 076
Movements in receivables from lease assets and accruals	18 850	(13 509)
Movements in provisions	2 075 171	(848 497)
Changes in working capital:		
(Increase) / decrease in inventories	(853 953)	920 842
Decrease / (increase) in other receivables from non-exchange transactions	704 469	(996 332)
Increase in receivables from exchange transactions	(32 037 606)	(27 623 250)
Increase in trade and other payables from exchange transactions	23 433 153	39 098 788
(Decrease) / increase in VAT	(4 753 097)	7 799 323
Increase / (decrease) in unspent conditional grants and receipts	2 697 132	(3 208 586)
Increase in consumer deposits	469 479	821 791
	70 885 223	84 165 827

39. Contingencies

Contingent liabilities - pending claims

The municipality is being sued for some of the following pending claims against the council. All the claims are being contested based on legal advice.

The certainty and the timing of the outflow of these liabilities are uncertain. The amounts disclosed below are possible outflow amounts.

Claims by individuals due to damage of property in various incidents	815 437	213 194
Claims from the South African Local Government Association	1 300 000	3 080 664
Claims from creditors - account disputes	174 873	72 228
Claims from suppliers - contractual disputes	1 108 199	1 108 199
Claims for damages to property due to fire spread	-	82 797
Claims by individuals due to injuries in various incidents	1 802 748	1 200 427
Claims for damages of Telkom property	2 467 181	2 405 172
	7 668 438	8 162 681

Contingent liabilities - post retirement benefit obligations

The municipality makes monthly contributions to retired employees' medical aid. This obligation has not been valued by an actuary at balance sheet date as insufficient information was available to account for this liability on a defined benefit accounting basis.

Refe to note 40.

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40. Retirement benefit information

The municipality provides retirement benefits for its employees and councillors. Benefits are provided via defined contribution plans and defined benefit plans as listed below.

Defined contribution plans

The following are defined contribution plans:

- Free State Municipal Provident Fund;
- Maokeng Provident Fund; and
- SAMWU National Provident Fund.

Defined benefit plans

The following are defined benefit plans:

- Government Employees Pension Fund;
- SALA Pension Fund; and
- Free State Municipal Pension Fund.

These are not treated as a defined benefit plan as defined by IAS 19, but as a defined contribution plan. These funds are multi employer plans and actuarial valuations done by actuaries could not be provided due to lack of information. According to the actuaries, it is not possible to report each municipality separately, thus it has been classified as a contribution plan. This is in line with the exemption in IAS 19, paragraph 30, which states that where information required for a defined benefit plan is not available in respect of multi employer and state plans, these should be accounted for as defined contribution plans.

Some employees belong to the SALA Pension Fund. The latest actuarial valuation of the funds was on 1 July 2010. These valuations indicate that the funds are in sound financial position. The estimated liabilities of the fund is R 7 418 million (2009: R 6 568 million) which is adequately financed by assets of R 7 110 million (2009: R 6 304 million).

The actuarial valuations states that the fund is currently 96% funded by employer contributions. If the current employer contribution rate is maintained the fund is expected to be close to 100% funded at the next statutory valuation.

A few employees belong to the Free State Municipal Pension Fund. The latest actuarial valuations of the fund was on 30 June 2005. These valuations indicate that the fund is in a sound financial position. The estimated liabilities of the fund is R1 308 million which is adequately financed by assets of R 1 531 million.

41. Related parties

Relationships

Accounting Officer	Refer to accounting officer report
Post employment benefit plan for employees of entity and/or other related parties	Refer to note 40
Members of key management	Refer to note 30 and 47

Related party transactions

No related party transactions were identified during the year under review.

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42. Change in estimate

Property, plant and equipment

On 1 July 2009 management performed the annual review of the reasonableness of the residual values and remaining useful lives of all moveable assets. As a result the following useful lives were revised:

- Plant and equipment: 5 years
- Office equipment: 6 years
- IT equipment: 5 years
- Furniture: 10 years
- Vehicles: 7 years

The effect of these changes on the depreciation expense for the periods are as follows:

	2009/10	2010/11	2011/12	2012/13	2013/14	Later
(Increase)/decrease in depreciation expense	(1 293 450)	(1 416 696)	(1 476 363)	(2 512 417)	(3 778 434)	23 315 662

Intangible assets

During the 2008/09 period, the useful life of the Venus computer system was changed from being indefinite to a period of 20 years. As a result an annual review is performed by management of the reasonableness of this estimate.

The effect of this change on the amortisation expense is as follows:

	2009/10	2010/11	2011/12	2012/13	2013/14	Later
Increase in amortisation expense	(71 389)	(71 389)	(71 389)	(71 389)	(71 389)	(999 444)

43. Prior period errors

A number of prior period errors were corrected during the year ending 30 June 2011. The details of the prior period errors adjusted are reflected below.

Summary

Statement of financial position

Net assets as previously reported
Adjustments to opening accumulated surplus as per details below

R
1 046 851 221
(10 281 089)
1 036 570 132

Statement of financial performance

Deficit as previously reported
Net effect on deficit for the year end 30 June 2010 as per details below

(11 603 794)
(11 065 140)
(22 668 934)

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43. Prior period errors (continued)

Cash and cash equivalents

Cash held by the municipality was understated as all petty cash held in prior period could not be verified. Subsequently petty cash was verified. Some fixed deposits were classified as cash equivalents as they were perceived to be redeemable within 3 months. This was reclassified to the investment asset item.

<i>Adjustments against opening accumulated surplus on 30 June 2009</i>	(2 000)
<i>Net effect on cash and cash equivalent for the year 30 June 2010</i>	
Increase in cash and cash equivalents due to petty cash correction	2 000

Receivables from exchange transactions

Adjustments were made to consumer debtors to account for the accrued electricity and accrued water debtors that were not taken into account in the prior years. This included a correction made for overcharged services in prior periods.

<i>Adjustment to opening accumulated surplus 30 June 2009</i>	
Increase in service charges due to accrued electricity and water	(9 622 852)
Decrease in service charges due to even sale	1 304 588
Increase in property rates due to adjusted revaluation	2 034 240
	(6 284 024)

<i>Net effect on receivables from exchange transactions for the year ended 30 June 2010</i>	
Increase in receivables from exchange transactions due to accrued electricity and water	9 837 561
Decrease in receivables from exchange transactions due to overcharged services	(2 266 745)
Decrease in receivables from exchange transactions due to even sale correction	(1 304 588)
Decrease in receivables from exchange transactions due to adjusted revaluation	(3 166 260)
	3 099 968

<i>Net effect on deficit for the year 30 June 2010</i>	
Increase in service charges due to accrued electricity and water	(214 709)
Decrease in service charges due to overcharged services	2 150 055
Increase in other income due to undercharged services	(295 134)
Decrease in property rates due to overcharged services	81 757
Decrease in interest received due to overcharged services	330 067
Decrease in property rates due to adjusted revaluation	1 132 020
	3 184 056

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43. Prior period errors (continued)

Other receivables from non-exchange transactions

Payments to financial institutions for leased assets to be recovered, which have not been accounted for in prior period. Certain accounts were written off as they could not be verified and relates to prior periods.

Adjustment to opening accumulated surplus 30 June 2009

Decrease in finance lease obligation

1 240

Net effect on other receivables from non-exchange transactions for year 30 June 2010

Increase of other receivables due to finance leased payments recovered

695 507

Decrease in other receivables from exchange transactions due to legacy written off

(1 240)

694 267

Net effect on finance lease obligations for year 30 June 2010

Increase in finance lease obligations due to lease payments

(695 507)

Intangibles

Correction of the intangible's estimated useful lives retrospectively as well as a reclassification between intangible asset and IT equipment

Adjustments against opening accumulated surplus on 30 June 2009

(785 277)

Net effect on intangibles for year 30 June 2010

Increase in intangible asset due to classification correction from IT equipment

167 388

Increase in intangibles due to revision of useful lives

785 277

952 665

Net effect on property, plant and equipment for the year 30 June 2010

Decrease in IT equipment for classification correction

(167 388)

Investment Property

Investment properties that were not registered in the name of the municipality were removed from the fixed assets register and the accounting records.

Adjustment against opening accumulated surplus 30 June 2009

4 409 147

Net effect on investment property for the year 30 June 2010

Decrease in investment property - land component

(3 293 121)

Decrease in investment property - building component

(1 116 026)

(4 409 147)

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43. Prior period errors (continued)

Property, plant and equipment

Certain property, plant and equipment items recorded in the fixed asset register (FAR) and the accounting records could not be identified as held by the municipality. This was subsequently reversed with the corresponding accumulated depreciation. Certain expenses were identified as capital items which were not appropriately accounted for in prior periods. Useful lives of property, plant and equipment was reassessed and adjustments were made accordingly. The net effect of the above has been disclosed below:

Adjustment against opening accumulated surplus 30 June 2009

Due to capitalisation of expenses in prior periods	(140 092)
Due to changes in fixed asset register for land and infrastructure	(8 000 000)
Adjustments to other line items affecting property, plant and equipment	(1 174 183)
	(9 314 275)

Net effect on property, plant and equipment for year 30 June 2010

Net decrease in vehicles due to revision of useful lives and changes to FAR	(1 792 727)
Net decrease in vehicles due to corrections of finance lease assets	(51 503)
Net increase in furniture due to revision of useful lives and changes to FAR	93 225
Net increase in office equipment due to revision of useful lives and changes to FAR	883 460
Net increase to plant & equipment due to revision of useful lives and changes to FAR	282 840
Net increase in IT equipment due to revision of useful lives and changes to FAR	258 887
Net increase in IT equipment due to capitalised expenses	125 123
Net decrease in IT equipment due to reclassification correction to intangible assets	(167 388)
Net increase in land due to revision of useful lives and changes to FAR	577 665
Net decrease in buildings due to revision of useful lives and changes to FAR	(18 316)
Net increase in infrastructure due to revision of useful lives and changes to FAR	5 955 939
Net increase in infrastructure due to capitalised expenses	54 719
Net decrease in community assets buildings due to revision of useful lives and changes to FAR	(25 881)
	6 176 043

Net effect on intangibles for 30 June 2010

Net increase in intangibles due to reclassification correction from IT equipment	167 388
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Net effect on finance lease obligation for year 30 June 2010

Decrease in finance lease obligation due to correction of value	51 503
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Net effect on deficit for year 30 June 2010

Increase in depreciation due to revision of useful lives and elimination of assets in the FAR	2 919 341
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43. Prior period errors (continued)

Employee benefits

Provision for leave pay and bonuses were not accounted for in the prior period. Leave paid out in prior years was not adjusted against leave provision.

Adjustment to opening accumulated surplus for year 30 June 2009

Increase in employee bonuses	2 895 343
Correction of leave paid against leave provision	1 201 320
Correction of unknown balance in prior periods	(2 893)
	4 093 770

Net effect on employee benefit for year 30 June 2010

Increase in bonus provision	(3 031 231)
Increase in leave pay provision	(1 374 961)
Correction of leave paid against leave pay provision	(1 201 320)
Correction of unknown balance in prior periods	2 893
	(5 604 619)

Net effect on deficit on year 30 June 2010

Increase in employee related costs due to increase in leave pay and bonus provision	1 510 849
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Finance lease obligations

Accrued interest was not correctly accounted for in the prior periods. Correction of leased assets recognised at incorrect values. Lease payments were not accounted for correctly.

Adjustment to opening accumulated surplus 30 June 2009

Decrease in finance costs due to overcharged amounts	(241 463)
Decrease due to immaterial changes made to opening balances	101 894
	(139 569)

Net effect on assets and liabilities for year 30 June 2010

Decrease in finance lease obligation due to corrections of finance lease costs	158 501
Reclassification of accrued interest to other financial liabilities	(116 775)
Decrease due to other immaterial corrections to opening balances	589
Increase in lease obligation for payments recoverable	(695 507)
Decrease in leased liability value on incorrect PPE asset value and corresponding decrease in asset value	51 503
	(601 689)

Net effect on other finance liabilities for year 30 June 2010

Increase in other finance liabilities due to reclassification of accrued interest	116 775
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Net effect on other receivables from non-exchange transactions

Increase in other receivables from non-exchange transactions due to payments recoverable	695 507
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Net effect on property, plant and equipment for year 30 June 2010

Decrease in vehicles due to finance lease value	(51 503)
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Net effect on deficit for year 30 June 2010

Increase in finance costs due to corrections to finance lease obligations	(19 521)
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43. Prior period errors (continued)

Other financial liabilities

Corrections were made to the finance liabilities to account for accrued interest in prior periods. Reclassification was made to split the finance lease obligation and the other finance liabilities on the face of the balance sheet.

Net effect on other financial liabilities for year 30 June 2010

Decrease in other finance liabilities to account for accrued interest correction	33 745
Reclassification of finance liabilities portion's accrued interest	116 775
	150 520

Net effect on finance lease obligations for year 30 June 2010

Increase in finance lease obligations due to accrued interest	(116 775)
	(116 775)

Net effect on deficit for year 30 June 2010

Decrease in finance costs due to accrued interest correction	(33 745)
	(33 745)

Trade payables and other payables from exchange transactions

Corrections were made to trade payables for creditors not provided for in prior periods, with their corresponding interest due. Water purchases were provided for as well as the interest charged on overdue accounts. Leave pay provision payments were reclassified to corresponding employee benefits category. Payments in advance were adjusted for prior period errors.

Adjustment to opening accumulated surplus for 30 June 2009

Correction of payments in advance	(4 243 970)
Increase in interest provided for creditors not previously provided	39 770
Increase in interest on water purchases not previously provided	1 439 042
Increase in other payables on creditors	211 555
Increase in other payables on water purchases	9 534 095
Increase in other payables on UIF provision	262 052
Increase in other payables on UIF interest provision	65 067
Decrease in other payables due to prior period adjustment	(70 674)
	7 236 937

Net effect on trade payables from exchange transactions for year 30 June 2010

Decrease payments in advance	4 243 970
Increase other payables for creditors not accounted for	(634 401)
Increase other payables for interest on creditors not accounted for	(148 066)
Increase in other payables for water purchases not accounted for	(11 678 140)
Increase in other payables for interest on water purchases not accounted for	(2 157 199)
Increase in other payables for UIF provision	(340 230)
Increase in other payables for UIF interest provision	(97 705)
Decrease in other payables due to prior period adjustment	70 674
	(10 741 097)

Net effect on deficit for year 30 June 2010

Increase in finance costs for creditors not provided	108 295
Increase in interest costs for water purchases not provided	718 157
Increase in general expenses not provided	422 846
Increase in bulk purchases not provided (water)	2 144 045
Increase in employee costs for UIF provision	78 178
Increase in finance costs for UIF provision	32 639
	3 504 160

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44. Risk management

Capital risk management

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to provide returns for member and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality consists of debt, which includes the borrowings disclosed in notes 15, 16, 17, cash and cash equivalents disclosed in note 3, and accumulated surplus as disclosed in the statement of financial position.

There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

The municipality's total net borrowings consist of the following:

		2011	2010
Total borrowings			
Finance lease obligation	15	10 199 199	15 978 763
Other financial liabilities	16	26 243 532	26 375 538
Trade and other payables from exchange transactions	17	136 685 200	113 157 712
		173 127 931	155 512 013
Less: Cash and cash equivalents	3	4 629 165	4 737 941
Net debt		168 498 766	150 774 072

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk, cash flow interest rate risk and equity price risk), credit risk and liquidity risk.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

The municipality's risk to liquidity is a result of funds not being available to cover future commitments. The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2011	Total	Less than 1 year	Between 1 and 5 years	Over 5 years
Finance lease obligations	10 199 199	6 443 528	3 755 671	-
Other financial liabilities	26 243 532	23 911 230	2 332 302	-
Trade and other payables	136 685 200	136 685 200	-	-
Employee benefit obligations	12 851 500	12 851 500	-	-
Consumer deposits	7 706 534	7 706 534	-	-
	193 685 965	187 597 992	6 087 973	-

At 30 June 2010	Total	Less than 1 year	Between 1 and 5 years	Over 5 years
Finance lease obligations	15 978 763	5 786 218	10 192 545	-
Other financial liabilities	26 375 538	20 359 028	6 016 510	-
Trade and other payables	113 157 712	113 157 712	-	-
Employee benefit obligations	9 559 407	9 559 407	-	-
Consumer deposits	7 237 055	7 237 055	-	-
	172 308 475	156 099 420	16 209 055	-

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44. Risk management (continued)

The municipality is currently negotiating revised repayment terms with regards to financial liabilities.

Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. During 2011 and 2010, the municipality's borrowings at variable rate were denominated in the Rand.

At 30 June 2011, if interest rates on Rand-denominated borrowings had been 1% higher/lower with all other variables held constant, deficit for the year would have been R 59 138 lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings; other components of equity would have been R 59 138 lower/higher mainly as a result of a decrease/increase in the fair value of fixed rate financial assets classified as available-for-sale.

At year end, financial instruments exposed to interest rate risk were as follows:

- ABSA primary bank account;
- FNB bank account;
- ABSA fixed deposits;
- FNB call deposits;
- Finance lease obligations; and
- Various annuity loans;

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and consumer debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2011	2010
ABSA bank	3 650 547	4 727 864
First National Bank	166	(893)
Receivables from exchange transactions	47 667 407	54 480 976
Investments	317 939	299 609
Other receivables from exchange transactions	1 464 101	2 168 570
	<hr/>	<hr/>
	53 100 160	61 676 126

Price risk

The municipality is exposed to equity securities price risk because of investments held by the municipality and classified on the statement of financial position as financial assets at fair value through surplus or deficit. The municipality is not exposed to commodity price risk.

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45. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

The municipality is currently experiencing financial difficulties. Indicators of the financial problems are:

- The significant increase in accounts payable of R 24 million (2010: R 46 million);
- The municipality incurred a deficit during the year of R 9 million (2010: R 23 million);
- The creditors are not paid within 30 days as required by the MFMA;
- Debt collection period has not improved during the current year;
- The gross outstanding debtors increased from R 221 million in 2010 to R 254 million as at 30 June 2011;
- The provision for doubtful debts have been estimated at R 206 million (2010: R 167 million). This equates to approximately 85% of gross outstanding debtors (2010: 79%) before accrued water and electricity. Included in provision for doubtful debts is an amount of R 69 million for indigent debtors (2010: R54 million) which will be written off by the municipality during 2012 year end.

At 30 June 2011 the municipality's current liabilities amounted to R 198 million (2010: R 163 million), whilst the current assets amounted to R 71 million (2010: R 72 million).

The municipality is exploring alternative options to improve its financial position.

46. Events after the reporting date

Subsequent to the year ended 30 June 2011, the municipality experienced damages to its power supply lines which provides electricity to a portion of the municipality. The extent of the damage has not been determined at the finalisation of the financial statements. No provision has been made for the financial impact due to the uncertainty of the costs.

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47. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Current year subscription / fee	1 419 149	969 415
Amount paid - current year	(310 000)	(969 415)
	1 109 149	-
Material losses through criminal conduct		
There were no material losses incurred due to criminal conduct identified during the year by the municipality.		
Audit fees		
Opening balance	884 633	343 585
Current year fee	2 505 833	2 451 287
Amount paid - current year	(1 003 348)	(1 566 654)
Amount paid - previous years	(884 633)	(343 585)
	1 502 485	884 633
PAYE and UIF		
Opening balance	340 229	262 051
Current year payroll deductions	13 725 511	11 625 519
Amount paid - current year	(13 643 976)	(11 547 341)
	421 764	340 229
An amount of R 556 770, inclusive of interest, has been provided for during the year 30 June 2010. This relates to UIF contributions for councilors which was not paid. This constitutes a non-compliance with the UIF Contribution Act.		
Pension and Medical Aid Deductions		
Opening balance	-	-
Current year payroll deductions and council contributions	35 106 465	31 055 481
Amount paid - current year	(35 106 465)	(31 055 481)
	-	-
Skills Development Levy		
Opening balance	-	-
Current year payroll deductions and council contributions	1 049 909	945 333
Amount paid - current year	(1 049 909)	(945 333)
	-	-
Reticulation losses		
Estimated electricity losses suffered by the municipality for the year under review are as follows:		
Estimated line losses	7 140 233	6 594 973
Losses due to tampering or theft	17 960 022	13 771 580
	25 100 255	20 366 553
Estimated water losses suffered by the municipality for the year under review is as follows:		
Estimated water losses	18 437 712	10 915 697

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Figures in Rand	2011	Restated R
47. Additional disclosure in terms of Municipal Finance Management Act (continued)		
VAT		
VAT receivable	12 506 446	7 180 820
VAT payable	(4 623 369)	(4 050 840)
	7 883 077	3 129 980

VAT output payables and VAT input receivables are shown in note 9 and 19.

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2011:

30 June 2011	Outstanding more than 90 days R
Green MM	15 587
Letsitsa ME	26 889
Lithupa MJ	1 197
Machobane ML	5 841
Magadlela ZS	3 303
Mahasa LP	1 346
Makua TL	813
Makoele WL	8 974
Mkhwanazi TM	1 083
Malinga Dm	1 619
Malokotsa SV	88
Moamogao A	2 364
Moletsane ER	41
Rooskrans B	300
Tumisi T	666
Seleke LM	5 424
Sethabela MJ	1 529
	77 064

30 June 2010	Outstanding more than 90 days R
Dire MP	2 203
Letsabo J	911
Makua TL	922
Mckenzie AE	7 553
Mkhwanazi TM	138
Mokotla ME	5 726
Moamogao A	3 162
Raphuthing PP	3 124
Tumisi T	2 174
	25 913

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. The expenses are listed in note 48 to 50.

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Figures in Rand	2011	Restated R
48. Irregular expenditure		
Opening balance	40 977 590	21 984 972
Add: Irregular expenditure - current year	47 721 236	18 992 618
Less: Amounts condoned	-	-
Less: Amounts recoverable (not condoned)	-	-
Less: Amounts not recoverable (not condoned)	-	-
	88 698 826	40 977 590

Analysis of expenditure awaiting condonation per age classification

Current year	47 721 236	18 992 618
Prior years	40 977 590	21 984 972
	88 698 826	40 977 590

Details of irregular expenditure – current year

Summary of irregular expenditure due to deviation from Supply Chain Management (SCM) requirements and tender regulations

Opening balances brought forward from 2006/7	Disciplinary steps taken/criminal proceedings	
Appointment of managers directly accountable to Municipal Manager	-	2 145 809
Appointment of debt collector - non adherence to tender regulations	-	4 516 925
Purchase of air conditioners for housing department at Maokeng	-	8 633
Missing computers	-	38 500
Refurbishment of traffic offices at Maokeng	-	33 087
Misuse of council vehicles	-	436
Performance bonuses	-	141 954
Related party transactions	-	214 325
Condoned or written off by council	-	-
		7 099 669

Appointment of consultants not through a competitive bidding process - accounting services

Opening balance	15 290 974	8 909 807
Irregular expenditure current year	3 585 163	6 381 167
	18 876 137	15 290 974

The appointment of consultants was an urgent deviation of the Supply Chain Management policy, which was reported to National Treasury and which has not been tabled before council.

Rendering of meter reading services

Opening balance	2 323 849	1 620 560
Irregular expenditure current year	1 087 671	703 289
	3 411 520	2 323 849

The appointment of meter reading services providers was due to the non adherence of the Supply Chain Management policy and tender regulations which have not been tabled before council.

Moqhaka Local Municipality

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Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	Restated R
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48. Irregular expenditure (continued)

Required quotation for purchases not obtained in terms of SCM policy

Opening balance	763 884	63 652
Irregular expenditure current year	212 544	700 232
	976 428	763 884

The above consists of various payments made to service providers and suppliers that were not in compliance with the SCM policy, as the required quotation were not obtained from the suppliers.

Non adherence to SCM policy for payments made

Opening balance	3 031 094	2 442 638
Irregular expenditure current year	-	588 456
	3 031 094	3 031 094

The above consists of various payments made to service providers and suppliers that were not in compliance with SCM policy.

Non adherence to tender regulations

Opening balance	12 468 120	1 744 780
Irregular expenditure current year	5 848 274	10 723 340
	18 316 394	12 468 120

The above consists of various payments made to service providers and suppliers during the year that were not in compliance with the tender regulations.

Urgent matters which required deviations of SCM policy and tender regulations

Closing of toilet top structure at Rammuloutsi	8 781 254	-
Waste water treatment works at Kroonstad near Viljoenskroon	8 477 357	-
Hiring of equipment	3 519 443	-
Reconstruction of streets, grading and regravelling	2 935 415	-
Replacement of main sewer line crossing Transnet property north of subway	1 954 854	-
Repairs and maintenance of library, trackers, oil filled cables etc	1 749 217	-
Hiring of TLB water services	288 910	-
Clearing of blocked main sewer lines	805 500	-
Procurement of office furniture	750 175	-
Upgrade and repair of main sewer outfall line to Constantia pump station	487 019	-
Replacement of faulty water meters	170 325	-
Accommodation for induction of councillors	63 193	-
Supply of water purification chemicals	3 672 628	-
Transportation of water from Kroonstad to Steynsrus	810 552	-
Supply of petrol	1 535 402	-
Supply and delivery of carboncor	659 451	-
Replacement of electric panels & motor pumps at Marais Street pump stations	326 889	-
	36 987 584	-

The above service providers and suppliers were appointed to render the required services on an emergency/urgent basis. Therefore the SCM policy and tender regulations were deviated. The majority of the matters above have been approved by management and are awaiting condonement from council.

Moqhaka Local Municipality

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Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	Restated R
49. Fruitless and wasteful expenditure		
Opening balance	21 444 126	16 306 072
Add: Fruitless and wasteful expenditure - current year	6 599 347	5 138 054
Less: Amounts condoned	-	-
Less: Amounts recoverable (not condoned)	-	-
Less: Amounts not recoverable (not condoned)	-	-
	28 043 473	21 444 126

Analysis of expenditure awaiting condonation per age classification

Current year	6 599 347	5 138 054
Prior years	21 444 126	16 306 072
	28 043 473	21 444 126

Details of fruitless and wasteful expenditure – current year

	Disciplinary steps taken/criminal proceedings	
Interest on arrear payments to creditors	-	4 095 136
Interest on provision for outstanding payments towards water utilisation	-	745 349
Interest on loan amounts as a result of exceeding payment terms	-	1 399 037
Penalties on loan amounts as a result of exceeding payment terms	-	47 209
Interest on arrear payments towards pension fund	-	282 294
Legal costs incurred regarding secretarial fees payable to political parties	-	30 322
		6 599 347

Fruitless and wasteful expenditure occurred from prior years

Opening balance consists of:		
Late payment of VAT brought forward from 2006/7	46 697	46 697
Painting roof of municipality	110 338	110 338
Refurbishment and painting of six chalets and managers house at Kroonpark	95 437	95 437
Painting chalets at Kroonparak	46 590	46 590
Painting offices and the roof at Brentpark	40 053	40 053
Painting housing offices at Moakeng	44 930	44 930
Painting councillors offices and boardroom at Moakeng	39 960	39 960
Replacement of damaged tiles at the theatre	2 596	2 596
Fencing of Kroonpark	479 934	479 934
Tourism Extravaganza	8 767 681	8 767 681
Expenses as contained in the Majavu Report	677 673	677 673
Appointment of employees in positions not necessary for service delivery 2008/9	1 601 263	1 601 263
Fruitless and wasteful for current year	-	-
Fruitless and wasteful condoned or written off by council	-	-
	11 953 152	11 953 152

The matters are under investigation.

Moqhaka Local Municipality

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Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	Restated R
49. Fruitless and wasteful expenditure (continued)		
Interest on loan amounts as a result of exceeding payment terms		
Opening balance	2 558 993	2 551 151
Fruitless and wasteful current year	1 769 915	1 244 102
Interest waived by loan provider	(370 878)	(1 236 260)
Condoned or written off by council	-	-
	3 958 030	2 558 993
Penalties on loan amounts as a result of exceeding payment terms		
Opening balance	47 209	-
Fruitless and wasteful current year	-	-
Condoned or written off by council	-	-
	47 209	-
Interest on outstanding payments to pension fund		
Opening balance	662 480	362 716
Fruitless and wasteful current year	282 294	299 764
Condoned or written off by council	-	-
	944 774	662 480
Interest on arrears payments to creditors		
Opening balance	4 112 291	-
Fruitless and wasteful current year	4 095 136	4 112 291
Condoned or written off by council	-	-
	8 207 427	4 112 291
Interest on provision for outstanding payments towards water utilisation		
Opening balance	2 157 210	1 439 053
Fruitless and wasteful current year	745 349	718 157
Condoned or written off by council	-	-
	2 902 559	2 157 210
Legal cost regarding secretarial fees payable to political parties		
Opening balance	-	-
Fruitless and wasteful current year	30 322	-
Condoned or written off by council	-	-
	30 322	-
50. Unauthorised expenditure		
Unauthorised expenditure - budget overspending	32 132 650	62 752 493
The above overspending is for individual votes.		
51. Capital commitments		
Approved and contracted for:		
Infrastructure	56 709 386	58 526 685

Infrastructure commitments approved and contracted for will be funded by grants from government.

Moqhaka Local Municipality

(Municipal demarcation code FS201)

Annual Financial Statements for the year ended 30 June 2011

Detailed Income statement

Figures in Rand	Note(s)	2011	R
Revenue			
Property rates	23	35 252 452	33 129 176
Service charges	24	202 796 867	175 208 890
Rental income	28	3 379 868	3 216 209
Fines	21	975 612	813 557
Government grants & subsidies	22	166 856 881	147 890 998
Fees earned	26	578 845	322 969
Discount received	26	15 091	-
Other income	27	7 013 791	4 919 294
Interest received - investment	25	5 307 840	4 048 968
Dividends received	25	5 947	37 814
Total Revenue		422 183 194	369 587 875
Expenditure			
Personnel	30	(134 230 907)	(120 835 380)
Remuneration of councillors	31	(12 591 562)	(12 009 197)
Depreciation and amortisation	33	(49 656 737)	(47 919 697)
Finance costs	34	(10 368 170)	(10 879 232)
Debt impairment	32	(36 121 404)	(39 953 076)
Write off erven sales		-	(3 002 697)
Repairs and maintenance		(22 487 026)	(17 892 426)
Bulk purchases	37	(111 830 655)	(88 470 251)
Contracted services	36	(6 188 586)	(6 481 740)
General Expenses	29	(47 082 170)	(44 713 976)
Total Expenditure		(430 557 217)	(392 157 672)
Loss on disposal of assets and liabilities		(476 688)	(130 033)
Fair value adjustments		26 639	30 896
Deficit for the year		(8 824 072)	(22 668 934)

MOQHAKA LOCAL MUNICIPALITY
UNAUDITED SCHEDULE OF EXTERNAL LOANS AT 30 JUNE 2011

APPENDIX A

External loans	Loan number	Redeemable	Balance at 30/6/2010	Received/incurred during the year	Redeemed or written off during the year	Balance at 30/06/2011	Other costs in accordance with MFFA
<u>Annuity loans</u>							
Development Bank of SA @ 13.50%	100769	2012	20 206 895	2 512 650	1 524 872	21 194 674	0
Development Bank of SA @ 12.00%	12841	2013	255 372	35 750	63 197	227 925	0
Development Bank of SA @ 13.30%	12842	2014	54 959	8 104	16 082	46 982	0
Development Bank of SA @ 10.70%	101183	2026	3 241 489	294 755	2 988	3 533 256	0
Total			23 758 715	2 851 260	1 607 138	25 002 837	0
Infrastructure Finance Corporation Ltd @ 17.25%	27	2011	980 041	109 034	504 125	584 950	0
Total			980 041	109 034	504 125	584 950	0
ABSA @ 9.94%	2	2010	60 660	171	60 831	0	0
Total			60 660	171	60 831	0	0
Standard Bank @ 8.73%	36	2010	604 585	7 919	612 505	0	0
Total			604 585	7 919	612 505	0	0
Infrastructure Finance Corporation Ltd @ 16.50%	21	2010	129 338	0	129 338	0	0
Infrastructure Finance Corporation Ltd @ 16.80%	23	2011	247 461	20 206	89 222	178 445	0
Infrastructure Finance Corporation Ltd @ 17.26%	25	2011	540 245	89 320	152 264	477 301	0
Total			917 044	109 526	370 825	655 746	0
Free State Municipal Pension Fund @ 10.00%	36047	2010	54 495	0	54 495	0	0
Total			54 495	0	54 495	0	0
Total external loans			26 375 540	3 077 910	3 209 918	26 243 533	0

MOQHAKA LOCAL MUNICIPALITY

APPENDIX B

UNAUDITED ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2011

	Cost							Accumulated Depreciation					Carrying Value
	Opening Balance	Additions	Transfer In	Revaluation	Under Construction	Disposals	Closing Balance	Opening Balance	Depreciation	Transfer In	Disposals	Closing Balance	
Land and Buildings													
Land	6 926 757						6 926 757	-				-	6 926 757
Buildings	21 198 781						21 198 781	(8 997 001)	(249 460)			(9 246 461)	11 952 320
	28 125 538	-	-	-	-	-	28 125 538	(8 997 001)	(249 460)	-	-	(9 246 461)	18 879 078
Infrastructure													
Electricity	684 858 825		315 402		11 160 771		696 334 999	(349 225 116)	(12 041 111)	(5 674)		(361 271 902)	335 062 465
Infrastructure assets at parks	79 815 786	20 698	2 599 444		2 435 855		84 871 783	(44 731 624)	(1 637 745)	(47 133)		(46 416 502)	38 455 280
Potable water networks	421 044 477	1 142 053	58 000		1 227 045		423 471 574	(222 264 017)	(7 180 696)	(1 247)		(229 445 960)	194 025 615
Roads, bridges and roadside structures.	566 614 256		11 276 279		34 905 362		612 795 896	(360 185 100)	(12 108 897)	(131 459)		(372 425 455)	240 370 441
Waste water network	337 580 242	11 165 492	6 309 933		10 273 211		365 328 878	(162 968 991)	(6 747 562)	(100 679)		(169 817 232)	195 511 646
Storm Water	65 435 962		6 211 917		-		71 647 879	(31 456 855)	(988 448)	(47 456)		(32 492 759)	39 155 120
Solid waste	10 741 053				-		10 741 053	(6 508 813)	(354 189)			(6 863 002)	3 878 051
	2 166 090 600	12 328 243	26 770 975	-	60 002 244	-	2 265 192 062	(1 177 340 517)	(41 059 280)	(333 647)	-	(1 218 733 444)	1 046 458 618
Community Assets													
Parks & Gardens	70 789 078						70 789 078	(45 327 795)	(1 713 646)			(47 041 441)	23 747 637
Land	920 448						920 448	-	-			-	920 448
Buildings	9 652 971						9 652 971	(4 375 121)	(107 705)			(4 482 827)	5 170 145
	81 362 497	-	-	-	-	-	81 362 497	(49 702 917)	(1 821 351)	-	-	(51 524 268)	29 838 230
Heritage Assets													
Heritage Assets	17 544						17 544	-	-	-	-	-	17 544
	17 544	-	-	-	-	-	17 544	-	-	-	-	-	17 544
Other Assets													
Motor Vehicles	34 510 832	10 984 809				(430 673)	45 064 968	(7 201 114.00)	(3 222 031)		202 693	(10 220 452)	34 844 516
Furniture	2 750 156	461 565				(60 100)	3 151 621	(788 168.99)	(129 677)		32 107	(885 738)	2 265 883
Office Equipment	14 592 754	30 660				-	14 623 413	(5 630 373.63)	(1 632 040)		-	(7 262 413)	7 361 000
Plant and Equipment	3 534 394	803 300				(71 350)	4 266 344	(1 712 932.02)	(290 604)		10 061	(1 993 475)	2 272 868
IT Equipment	4 804 112	228 760				(86 070)	4 946 802	(2 380 490.48)	(475 308)		50 371	(2 805 427)	2 141 375
	60 192 247	12 509 094	-	-	-	(648 193)	72 053 148	(17 713 079)	(5 749 660)	-	295 232	(23 167 507)	48 885 642
Total	2 335 788 426	24 837 337	26 770 975	-	60 002 244	(648 193)	2 446 750 790	(1 253 753 514)	(48 879 751)	(333 647)	295 232	(1 302 671 679)	1 144 079 111

MOQHAKA LOCAL MUNICIPALITY

APPENDIX C

UNAUDITED SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2011

	Cost							Accumulated Depreciation					Carrying Value
	Opening Balance	Additions	Transfer In	Revaluation	Under Construction	Disposals	Closing Balance	Opening Balance	Depreciation	Transfer In	Disposals	Closing Balance	
Assessment Rates	83 269	-	-	-	-	-	83 269	(45 611)	(5 955)	-	-	(51 566)	31 703
Brentpark Swimming Bath	4 334 985	-	-	-	-	-	4 334 985	(3 041 738)	(91 660)	-	-	(3 133 398)	1 201 587
Budgets	-	-	-	-	-	-	-	-	-	-	-	-	-
Building Survey	1 797 350	-	-	-	-	-	1 797 350	(455 429)	(209 684)	-	-	(665 113)	1 132 237
Buildings	38 098 957	-	-	-	-	-	38 098 957	(13 372 122)	(357 166)	-	-	(13 729 288)	24 369 669
Cemetaries	5 255 735	507 699	2 599 444	-	2 435 855	-	10 798 733	(2 244 294)	(185 605)	(47 133)	-	(2 477 032)	8 321 701
Civic Centre	276 741	-	-	-	-	(1 500)	275 241	(124 902)	(10 387)	-	840	(134 449)	140 793
Civil Services	1 292 166	10 425	-	-	-	(27 900)	1 274 691	(576 058)	(125 440)	-	16 154	(685 345)	589 347
Cleansing	261 659	-	-	-	-	-	261 659	(28 163)	(37 380)	-	-	(65 543)	196 116
Communication and Marketing	48 333	-	-	-	-	-	48 333	(25 749)	(3 890)	-	-	(29 639)	18 694
Community and emergency services	16 641	-	-	-	-	-	16 641	(2 593)	(3 175)	-	-	(5 768)	10 873
Community Halls	42 045	-	-	-	-	-	42 045	(23 436)	(1 696)	-	-	(25 133)	16 912
Community Services Administration	656 104	351	-	-	-	-	656 455	(308 949)	(51 070)	-	-	(360 019)	296 436
Corporate Services Administration	4 861 306	5 504	-	-	-	(559 173)	4 307 637	(1 914 814)	(504 022)	-	275 494	(2 143 342)	2 164 295
Corporate Services	57 584	-	-	-	-	-	57 584	(9 644)	(7 201)	-	-	(16 845)	40 739
Corporate Services	702	-	-	-	-	-	702	(32)	(140)	-	-	(172)	529
Corporate Services IT	584 964	-	-	-	-	-	584 964	(87 470)	(116 993)	-	-	(204 463)	380 501
Corporate Services Registry	6 925	-	-	-	-	-	6 925	(933)	(1 154)	-	-	(2 087)	4 838
Council General Expenses	357 000	-	-	-	-	-	357 000	(22 963)	(58 870)	-	-	(81 833)	275 167
Councillors	189 463	49 718	-	-	-	-	239 180	(17 520)	(18 051)	-	-	(35 572)	203 608
Drawing Office	81 275	-	-	-	-	-	81 275	(8 417)	(5 060)	-	-	(13 476)	67 799
Electricity Distribution	658 073 264	716 237	315 402	-	11 160 771	-	670 265 674	(326 383 586)	(11 420 734)	(5 674)	-	(337 809 994)	332 455 680
Electricity Generation	1 220	-	-	-	-	-	1 220	-	-	-	-	-	1 220
Electricity Metering Section	723 189	307 096	-	-	-	-	1 030 284	(150 025)	(48 278)	-	-	(198 303)	831 981
Electricity Services Administration	30 035 536	-	-	-	-	(850)	30 034 686	(23 742 051)	(781 485)	-	567	(24 522 969)	5 511 717
Electricity	131 524	-	-	-	-	-	131 524	(14 186)	(18 829)	-	-	(33 015)	98 510
Emergency and Disaster	-	-	-	-	-	-	-	-	-	-	-	-	-
Management Administration	646 440	1 409	-	-	-	-	647 848	(267 490)	(58 578)	-	-	(326 068)	321 780
Finance Services	-	-	-	-	-	-	-	-	-	-	-	-	-
Administration	1 831 372	167 702	-	-	-	-	1 999 074	(938 106)	(153 647)	-	-	(1 091 753)	907 321
Finance	613 592	-	-	-	-	-	613 592	(102 965)	(56 307)	-	-	(159 273)	454 319
Fire fighting	3 688 147	335 095	-	-	-	-	4 023 242	(1 423 009)	(289 959)	-	-	(1 712 968)	2 310 273
Fleet Management	274 624	-	-	-	-	-	274 624	(50 788)	(16 642)	-	-	(67 430)	207 194
Grants- in- aid	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	147 305	1 403	-	-	-	-	148 708	(38 372)	(2 099)	-	-	(40 471)	108 236
Housing Maokeng	-	-	-	-	-	-	-	-	-	-	-	-	-
Human Resources	169 026	6 604	-	-	-	-	175 630	(77 069)	(13 666)	-	-	(90 735)	84 895
Information Technology	918 426	124 066	-	-	-	-	1 042 492	(450 023)	(92 510)	-	-	(542 533)	499 958
Integrated Development and Planning	5 750	-	-	-	-	-	5 750	(3 174)	(405)	-	-	(3 579)	2 171
Internal Audit	201 346	6 003	-	-	-	(6 070)	201 279	(84 994)	(21 369)	-	-	(106 363)	94 916
Jukseipark	-	-	-	-	-	-	-	-	-	-	-	-	-
Kroonpark	58 900 881	60 761	-	-	-	(52 700)	58 908 942	(27 209 827)	(1 516 810)	-	2 176	(28 724 461)	30 184 480
Landfill Site	10 968 932	2 747 000	-	-	-	-	13 715 932	(6 652 107)	(369 912)	-	-	(7 022 019)	6 693 912
Libraries	233 990	789	-	-	-	-	234 779	(120 397)	(10 073)	-	-	(130 470)	104 309
Local Economic Development	-	-	-	-	-	-	-	-	-	-	-	-	-
Loubserpark	13 068 626	-	-	-	-	-	13 068 626	(9 685 606)	(294 101)	-	-	(9 979 708)	3 088 919
Manager Corporate Services	76 636	-	-	-	-	-	76 636	(37 662)	(5 267)	-	-	(42 929)	33 707
Mayor's Office	882 715	-	-	-	-	-	882 715	(115 118)	(106 182)	-	-	(221 300)	661 416
Metering services	130 829	-	-	-	-	-	130 829	(14 081)	(18 690)	-	-	(32 771)	98 058
Morewag Swimming Bath	7 699 678	-	-	-	-	-	7 699 678	(5 353 273)	(166 007)	-	-	(5 519 280)	2 180 399
Mowing Section	557 483	-	-	-	-	-	557 483	(208 738)	(34 811)	-	-	(243 549)	313 935

	Cost							Accumulated Depreciation					Carrying Value
	Opening Balance	Additions	Transfer In	Revaluation	Under Construction	Disposals	Closing Balance	Opening Balance	Depreciation	Transfer In	Disposals	Closing Balance	
Municipal Manager	15 887	-	-	-	-	-	15 887	(2 437)	(3 144)	-	-	(5 581)	10 306
Municipality Manager Administration	2 863 188	287 930	-	-	-	-	3 151 118	(1 284 032)	(278 524)	-	-	(1 562 556)	1 588 562
Nyakallong Recreation Resort	4 971 279	396	-	-	-	-	4 971 675	(2 282 778)	(142 791)	-	-	(2 425 569)	2 546 106
Occupational Health and Safety	127 348	-	-	-	-	-	127 348	(33 158)	(6 720)	-	-	(39 879)	87 469
Office of the Whip	1 256 845	-	-	-	-	-	1 256 845	(509 219)	(140 443)	-	-	(649 661)	607 183
Other Councillors	1 286 083	-	-	-	-	-	1 286 083	(507 313)	(141 569)	-	-	(648 881)	637 201
Parks	654 334	-	-	-	-	-	654 334	(77 165)	(85 329)	-	-	(162 494)	491 840
Parks Administration	1 288 355	1 273 003	-	-	-	-	2 561 357	(592 508)	(109 212)	-	-	(701 720)	1 859 637
Pavements and Open Spaces	242 683	-	-	-	-	-	242 683	(37 175)	(10 878)	-	-	(48 053)	194 630
Properties Farmlands	-	-	-	-	-	-	-	-	-	-	-	-	-
Public Gardens North	200 743	-	-	-	-	-	200 743	(40 546)	(9 132)	-	-	(49 678)	151 065
Public Gardens South	28 770	-	-	-	-	-	28 770	-	-	-	-	-	28 770
Public Toilets	-	-	-	-	-	-	-	-	-	-	-	-	-
Public Works	4 620 062	-	-	-	-	-	4 620 062	(571 056)	(612 196)	-	-	(1 183 252)	3 436 810
Pumps and Purification	157 771 634	1 365 592	-	-	1 227 045	-	160 364 272	(116 225 600)	(3 089 072)	-	-	(119 314 672)	41 049 600
Railway sidings	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreation	59 540 812	5 044	-	-	-	-	59 545 856	(41 482 533)	(1 193 269)	-	-	(42 675 802)	16 870 054
Refuse Removal	7 756 356	-	-	-	-	-	7 756 356	(1 221 038)	(913 444)	-	-	(2 134 482)	5 621 875
Regional Co- ordinator Steynsrus	137 302	-	-	-	-	-	137 302	(59 842)	(10 920)	-	-	(70 762)	66 540
Regional Co- ordinator Viljoenskroon	98 878	-	-	-	-	-	98 878	(6 769)	(4 102)	-	-	(10 870)	88 008
Riverside Swimming Bath	-	-	-	-	-	-	-	-	-	-	-	-	-
Roads and Streets	572 656 449	3 885 380	11 276 279	-	34 905 362	-	622 723 470	(361 958 571)	(12 565 287)	(131 459)	-	(374 655 316)	248 068 153
Security	306 320	183 765	-	-	-	-	490 084	(41 412)	(34 613)	-	-	(76 025)	414 059
Sewerage	130 829	-	-	-	-	-	130 829	(14 081)	(18 690)	-	-	(32 771)	98 058
Sewerage and Purification	145 798 189	9 179 112	6 309 933	-	-	-	161 287 235	(78 608 382)	(3 483 666)	(100 679)	-	(82 192 727)	79 094 508
Sewerage Network	191 117 858	1 954 854	-	-	10 273 211	-	203 345 923	(84 577 032)	(3 323 474)	-	-	(87 900 506)	115 445 418
Speaker's Office	277 972	5 374	-	-	-	-	283 346	(74 639)	(21 728)	-	-	(96 367)	186 979
Storage Dams	12 779 330	-	-	-	-	-	12 779 330	(5 332 747)	(181 630)	-	-	(5 514 377)	7 264 954
Stores and Procurement	2 910	6 003	-	-	-	-	8 913	(1 347)	(167)	-	-	(1 514)	7 399
Street Cleaning Services	-	-	-	-	-	-	-	-	-	-	-	-	-
Town Hall	52 222	-	-	-	-	-	52 222	(26 267)	(1 736)	-	-	(28 003)	24 219
Traffic	281 884	-	-	-	-	-	281 884	(27 140)	(40 269)	-	-	(67 409)	214 475
Traffic department	797 798	-	-	-	-	-	797 798	(133 497)	(56 493)	-	-	(189 991)	607 807
Valuations	-	-	-	-	-	-	-	-	-	-	-	-	-
Water Reticulation	317 998 478	981 590	6 269 917	-	-	-	325 249 985	(132 230 933)	(4 938 183)	(48 702)	-	(137 217 818)	188 032 167
Water Services	468 851	-	-	-	-	-	468 851	(56 289)	(63 750)	-	-	(120 039)	348 812
Water Services Administration	1 844 210	-	-	-	-	-	1 844 210	(290 442)	(86 774)	-	-	(377 217)	1 466 994
Works	130 829	661 437	-	-	-	-	792 266	(14 081)	(21 582)	-	-	(35 665)	756 603
Total	2 335 788 426	24 837 337	26 770 975	-	60 002 244	(648 193)	2 446 750 790	(1 253 753 514)	(48 879 751)	(333 647)	295 232	(1 302 671 681)	1 144 079 111

MOQHAKA MUNICIPALITY
APPENDIX D

UNAUDITED DEPARTMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011

		Actual Income 2011 R	Actual Expenditure 2011 R	Surplus/ (Deficit) 2011 R
Councillors		-	19 680 036	(19 680 036)
Municipal manager		-	20 096 653	(20 096 653)
Corporate services		2 942 546	17 709 180	(14 766 634)
Finance services	Note 1	69 840 350	138 319 725	(68 479 375)
General services		589 984	3 214 379	(2 624 395)
Public works		211 650	14 059 400	(13 847 750)
Electrical services		151 827 114	128 617 501	23 209 612
Water and sewer services		52 503 101	40 639 221	11 863 879
Community services		5 730 811	39 773 545	(34 042 734)
Waste management		144 772 320	17 117 044	127 655 276
Total		428 417 876	439 226 685	(10 808 809)

Note 1

Included in Finance services expenditure are the following provisions:

Doubtful debts	38 313 471
Depreciation	49 634 477
	<u>87 947 948</u>

R				
ACTUAL VERSUS BUDGET (REVENUE & EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2011				
Revenue	Actual 2011 R	Budget 2011 R	Variance 2011 R	Variance 2011 %
Property rates	35 252 452	32 235 710	3 016 742	9
Service charges	202 796 867	237 711 490	(34 914 623)	(15)
Rental of facilities and equipment	3 379 868	3 783 610	(403 742)	(11)
Interest earned	5 901 776	5 450 000	451 776	8
Fines	975 612	843 800	131 812	16
Government grants and subsidies	166 856 882	133 474 470	33 382 412	25
Other income	7 013 791	5 450 738	1 563 053	29
Dividends	5 947	50 000	(44 053)	(88)
Fair value through surplus	26 639	-	26 639	100
Total Revenue	422 209 834	418 999 818	3 210 016	1
Expenditure				
Employee related costs	134 230 907	147 317 415	(13 086 508)	(9)
Remuneration of councillors	12 591 562	13 923 817	(1 332 255)	(10)
General expenditure departments	47 082 169	60 631 877	(13 549 708)	(22)
General expenditure bulk purchases	111 830 655	91 861 322	19 969 333	22
General expenditure contracted services	6 188 586	11 497 454	(5 308 868)	(46)
Finance cost	10 368 170	4 842 535	5 525 635	114
Repairs and maintenance	22 487 026	31 045 126	(8 558 100)	(28)
Debt impairment	36 121 404	19 356 948	16 764 456	87
Depreciation	49 656 737	40 000 000	9 656 737	24
Loss on asset write off	476 688			
Total Expenditure	431 033 904	420 476 494	10 080 722	2
Net (deficit) for the year	(8 824 070)	(1 476 676)	(6 870 706)	

MOQHAKA LOCAL MUNICIPALITY

APPENDIX E (2)

UNAUDITED ACTUAL EXPENDITURE VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2011

	2011 Actual	2011 Under Construction	2011 Total Additions	2011 Budget	2011 Variance	2011 Variance	Explanation of significant variances greater than 5% versus budget
	R	R	R	R	R	%	
Assessment Rates	-	-	-	-	-	-	
Brentpark Swimming Bath	-	-	-	-	-	-	
Budgets	-	-	-	-	-	-	
Building Survey	-	-	-	-	-	-	
Buildings	-	-	-	-	-	-	
Cemetaries	3 107 143	2 435 855	5 542 998	-	5 542 998	-	
Civic Centre	-	-	-	-	-	-	
Civil Services	10 425	-	10 425	-	10 425	-	
Cleansing	-	-	-	-	-	-	
Communication and Marketing	-	-	-	-	-	-	
Community and emergency services	-	-	-	-	-	-	
Community Halls	-	-	-	-	-	-	
Community Services Administration	351	-	351	-	351	-	
Corporate Services Administration	5 504	-	5 504	-	5 504	-	
Corporate Services	-	-	-	-	-	-	
Corporate Services Caretaker	-	-	-	-	-	-	
Corporate Services IT	-	-	-	-	-	-	
Corporate Services Registry	-	-	-	-	-	-	
Council General Expenses	-	-	-	-	-	-	
Councillors	49 718	-	49 718	-	49 718	-	
Drawing Office	-	-	-	-	-	-	
Electricity Distribution	1 027 845	11 160 771	12 188 616	-	12 188 616	-	
Electricity Generation	-	-	-	-	-	-	
Electricity Metering Section	307 096	-	307 096	-	307 096	-	
Electricity Services Administration	-	-	-	-	-	-	
Electricity	-	-	-	-	-	-	
Emergency and Disaster Management	-	-	-	-	-	-	
Administration	1 409	-	1 409	-	1 409	-	
Finance Services Administration	167 702	-	167 702	-	167 702	-	
Finance	-	-	-	-	-	-	
Fire fighting	335 095	-	335 095	-	335 095	-	
Fleet Management	-	-	-	-	-	-	
Grants- in- aid	-	-	-	-	-	-	
Housing	1 403	-	1 403	-	1 403	-	
Housing Maokeng	-	-	-	-	-	-	
Human Resources	6 604	-	6 604	-	6 604	-	
Information Technology	124 066	-	124 066	-	124 066	-	
Integrated Development and Planning	-	-	-	-	-	-	
Internal Audit	6 003	-	6 003	-	6 003	-	
Jukseipark	-	-	-	-	-	-	
Kroonpark	60 761	-	60 761	-	60 761	-	
Landfill Site	2 747 000	-	2 747 000	-	2 747 000	-	
Libraries	789	-	789	-	789	-	
Local Economic Development	-	-	-	-	-	N/A	
Loubserpark	-	-	-	-	-	N/A	

The municipality do not budget for the acquisition of PPE on a departmental level. A pool of funds are budgeted for, and funds are allocated to a specific department when requested. Subsequently a comparison can not be performed between

	2011 Actual	2011 Under Construction	2011 Total Additions	2011 Budget	2011 Variance	2011 Variance	Explanation of significant variances greater than 5% versus budget
	R	R	R	R	R	%	
Manager Corporate Services	-	-	-		-		actual and budgeted PPE acquisitions on a departmental level.
Mayor's Office	-	-	-		-		
Metering services	-	-	-		-		
Morewag Swimming Bath	-	-	-		-		
Mowing Section	-	-	-		-		
Municipal Manager	-	-	-		-		
Municipality Manager Administration	287 930	-	287 930		287 930		
Nyakallong Recreation Resort	396	-	396		396		
Occupational Health and Safety	-	-	-		-		
Office of the Whip	-	-	-		-		
Other Councillors	-	-	-		-		
Parks	-	-	-		-		
Parks Administration	1 273 003	-	1 273 003		1 273 003		
Pavements and Open Spaces	-	-	-		-		
Properties Farmlands	-	-	-		-		
Public Gardens North	-	-	-		-		
Public Gardens South	-	-	-		-		
Public Toilets	-	-	-		-		
Public Works	-	-	-		-		
Pumps and Purification	1 365 592	1 227 045	2 592 637		2 592 637		
Railway sidings	-	-	-		-		
Recreation	5 044	-	5 044		5 044		
Refuse Removal	-	-	-		-		
Regional Co-ordinator Steynsrus	-	-	-		-		
Regional Co-ordinator Viljoenskroon	-	-	-		-		
Riverside Swimming Bath	-	-	-		-		
Roads and Streets	15 161 659	34 905 362	50 067 021		50 067 021		
Security	183 765	-	183 765		183 765		
Sewerage	-	-	-		-		
Sewerage and Purification	15 492 839	-	15 492 839		15 492 839		
Sewerage Network	1 954 854	10 273 211	12 228 065		12 228 065		
Speaker's Office	5 374	-	5 374		5 374		
Storage Dams	-	-	-		-		
Stores and Procurement	6 003	-	6 003		6 003		
Street Cleaning Services	-	-	-		-		
Town Hall	-	-	-		-		
Traffic	-	-	-		-		
Traffic department	-	-	-		-		
Valuations	-	-	-		-		
Water Reticulation	7 251 507	-	7 251 507		7 251 507		
Water Services	-	-	-		-		
Water Services Administration	-	-	-		-		
Works	661 437	-	661 437		661 437		
Total	51 608 312	60 002 244	111 610 556	20 185 000	(91 425 556)		

MOQHAKA LOCAL MUNICIPALITY
APPENDIX F

UNAUDITED DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 2003 FOR THE YEAR ENDED 30 JUNE 2011

Grants and subsidies received

Name of Grants	Name of organ of state or municipal entitv.	Quarterly Income				Quarterly Expenditure				Delayed or withheld	Comply with conditions
		Sept 2010	Dec 2010	March 2011	June 2011	Sept 2010	Dec 2010	March 2011	June 2011		
Equitable Share	National Government	56 578 779	45 263 023	31 168 268	-	56 578 779	45 263 023	31 168 268	-	No	Yes
Councillors Grant	National Government	-	-	2 779 000	-	-	-	2 779 000	-	No	Yes
Institutional Grant	National Government	750 000	-	-	-	-	-	-	-	No	Yes
Integrated National Electrification Grant	National Government	4 000 000	-	-	-	2 636 263	1 363 737	-	-	No	Yes
Expanded Public Works Program											
Inventive Grant Municipal	National Government	721 000	-	-	495 000	-	539 119	272 974	260 495	No	Yes
Infrastructure Grant	National Government	11 834 000	6 722 000	884 000	-	13 857 897	5 133 621	448 481	-	No	Yes
Housing Development Grant	National Government	-	-	-	-	-	-	-	-	No	Yes
LGSETA	National Government	80 852	361 089	-	90 000	-	-	-	91 720	No	Yes
Rehabilitation of sewerage network	National Government	-	-	-	7 885 002	-	-	-	6 320 091	No	Yes
Financial Management Grant	National Government	1 200 000	-	-	-	-	-	-	-	No	Yes
		75 164 631	52 346 112	34 831 268	8 470 002	73 072 939	52 299 500	34 668 724	6 672 306		